

FINANCIAL TIMES

Start the week with...



Management Changing face of corporate IT

Vanessa Houlder, Page 10





Media futures

The rise of the Webmaster

Im Jackson, Page 13

Bosnian leaders forcing out Serbs

United Nations relief officials accused the Moslem-Croat federation and Bosnian Serb leaders of exerting pressure on Serbs to abandon their homes in parts of Sarajevo which are set to come under Bosnian government control under the Dayton agreement. Kris Janowski, spokesman for the UN High Commissioner for Refugees, accused the Bosnian Serb leadership of manipulating the fears of Serbs about their fate at the hands of the Mos-lem-led Bosnian government. Page 18

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MPs' vote on arms report The outcome of tonight's House of Commons vote on the Scott report's findings on the sale of arms to Iraq may depend on how the government pushes forward the Northern Ireland peace process, David Trimble, leader of the Ulster Unionists, warned. Alarm has been raised that the two important issues had become intertwined, and the Tories face a further emharrassment as it emerged that Conservative MP William Powell may have breached parliamentary disclosure rules as a result of his relaonship with a lobbyist with Middle East

Sinn Féin seeks to 'rebuild peace': British government officials will today meet Sinn Féin representatives for the first time since the Irish Republican Army abandoned its ceasefire amid signs of progress in the Northern Ireland peace process.

Forbes' win weakens Dole: Bob Dole, Senate majority leader, beads into the US Republican party's presidential primary election in Arizona tomor-row looking increasingly weakened after losing to Steve Forbes, the millionaire publisher, in the Delaware primary. Page 18; Alarm over protection, Page 5

BET, the UK business services group facing a hostile £1.8bn (\$2.77bn) bid from Rentokil, has launched a pre-emptive strike against its rival by sending a letter to shareholders outlining the improvements BET has made in the past five years

Wisconsin Central Transportation, the new US owner of British Rail's heavy haul freight operations, may build its own freight railway lines in Britain if Railtrack, the company responsible for the track network, is not willing to devote resources to freight operations. Page 6

The London Stock Exchange is coming under increasing pressure from investors and brokers to pull back from plans to introduce order-driven elec-trodic trading alongside the current marketmaking system. Page 6: Editorial Comment, Page 17; Lex.

Japan and US seek to ease Island tension: President Bill Clinton and Ryutaro Hashimoto.

an's prime minister, have agreed a joint committo should consider the redeployment of the 47,000 US military personnel stationed in Japan, possibly to reduce the beavy concentration of forces and ease the continuing tension on Okinawa. Page 5

Helneken is poised to become the largest brewer in Italy through its purchase shortly of Moretti from Interbrew, the Belgium brewer of Stella Artois. Page 19

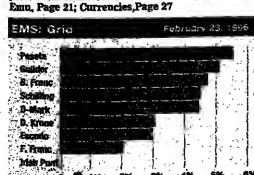
Umbro founders plan lawsuit: Members of the family that founded Umbro, the Manchester-based sportswear manufacturer in the UK, are planning to take legal action against its US parent which is preparing to float Umbro later this year. Page 20; The Big Red Steamroller, Page 12

WTO chief urges ambitious trade goals: Renato Ruggiero, director-general of the World Trade Organisation, called on member governments to commit themselves to achieving multilateral trade system goals at least as ambitious as those they are pursuing in regional trade arrangements.

Cricket World Cup: England suffered a 78-run defeat when they were dismissed for just 152 by South Africa who had scored 230 at Rawalpindi, Pakistan, Pakistan marked their opening match with a convincing nine-wicket victory over the United Arab Emirates at Gujranwala, Pakistan. The match was reduced to 33 overs after rain.

European Monetary System: There was no change to the order of currencies in the EMS grid last week, but the spread between strongest and weakest widened by nearly one percentage point. This coincided with a slight retreat by the dollar,

hough it was bolstered by Bank of Japan support. German investors nervous about prospects for



@ 1% 2% 3% 4% The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which

move in a narrow 2.25 per cent band.

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MONDAY FEBRUARY 26 1996 Bosnian leaders accused by UN of Palestine suicide bombers kill 25

Two Hamas attacks in Israel hit Peres' election chances

By Julian Ozanne in Jerusalem

Palestinian Islamic bombers yesterday killed 25 people in two horrific suicide attacks in Israel, dealing a blow to the electoral chances of the Labour-led coalition government and the fragile Israeli-Palestinian peace process.

The bombings of a Jerusalem commuter bus and a soldlers' hitch-hiking post in southern Israel provoked grief and outrage across Israel, as well as disillusionment with a peace that has apparently not guaranteed improved personal security. The Hamas Islamic Resistance

Movement, which opposes the Israeli-Palestinian peace accords, claimed responsibility for the attacks and said they were to avenge Israel's killing last month of Mr Yahya Ayyasb, a Hamas master bombmaker known as "The Engineer".

Mr Shimon Peres, Israel's prime minister, sealed Israel's borders with the Gaza Strip and West Bank and suspended peace talks, but vowed that terrorism would not defeat peace.

Mr Peres, who has recently enjoyed a lead of up to 20 points over rightwing Likud leader Mr Benjamin Netanyahu, refused to be drawn on the impact of the bombing on his electoral campaign. Aides said a wave of bombings could spell disaster for the government in the May 29

Angry crowds jeered the vet-eran Israeli leader when he visited the blood-soaked scene of the Jerusalem bombing, where an Islamic extremist had detonated a 10 kg bomb packed with ball bearings and nails on a bus taking people to work in the morning rush hour.

Several people gathered at the charred wreck of Bus 18 and chanted "Peres go home" and "Death to Arabs". Twenty-three people died in that attack and two at the hitchhiking post. The bombers were among the dead.

Mr Yasser Arafat, the Palestinian president, condemned the bombings as an attack on the peace process. "This is not a mili-tary operation, it is a terrorist operation," he said. "I condemn it completely and I condemn any

power behind it."
US President Bill Clinton said
the bombings "offend the conscience of the world" and must be brought to an end.

The bombings, which caused the highest death toll in Israel since the Israeli-Palestinian peace deal in 1993, broke Hamas' six-month unofficial truce and threaten to re-ignite a wave of devastating terrorist attacks. A Hamas leaflet called the



Rescue workers and police searching for clues inside the commuter bus destroyed by Palestinian bombers in Jerusalem

attacks an "intelligence and military victory" to avenge the killing of Mr Ayyash, and warned of more attacks against Israel if "the occupier enemy" struck against Hamas "fighters and

wanted heroes".

The leaflet suggested Hamas operations if Israel desisted from was deeply concerned about the

attacks on Hamas activists and released Hamas prisoners.

Mr Peres vowed not to surrender to Islamic attacks, "We know this a brutal war but we have no intentioo of giving in to Hamas. Terrorism, however painful, will not determine our fate."

Aides said the prime minister

prospect of further attacks with the election campaign, due to open officially in six weeks. A wave of bombings could swing security-conscious Israelis towards the Likud party, which has criticised the Israeli-Palestin-

ian peace process as harmful to Israel's security interests. Mr Netanyahu refused vester

day to condemn the government on a day of national mourning, but said: "Believe me, we will have plenty of time in the coming days and months to argue about way to achieve peace and

Continued on Page 18 Bombs pile pressure on peace

Pentagon to identify arms deals suitable for **UK** groups

By Bernard Gray, Defence Correspondent, in London

US officials have been told to draw up a list of arms contracts worth several billion dollars which could be awarded to British manufacturers.

The move follows complaints

from the British government that its hig purchases of Ameri-can arms have not been matched by orders from the Pentagon. Mr Panl Kaminski, the US

defence under-secretary for acquisition and technology, has asked for a report on possible international collaboration, designed to tdentify arms programmes which could involve the UK. The report is due to be submitted by mid-March.

The US efforts follow remarks in Washington by Mr Michael Portillo, UK defence secretary, that there had to be a "two-way street" in arms equipment between Britain and the US if the British market was to

remain open to US firms. The US fears its companies' prospects in several large current UK defence competitions could be endangered if it does not give British arms manufacturers a better chance of competing for US orders.

US companies are tendering in competitions for a £2bn (\$3bn) order for maritime patrol aircraft and £2.5bn worth of missile

Several large UK projects have recently gone to the US, most notably the £2.5bm order for tank-busting Apache helicopters and a £1bm order for Hercules transport aircraft. These decisions have damaged British relations with continental European countries and have threatened to bar Britain from the new Franco-

German arms agency.
The Pentagon's list of possible programmes which could go to the UK include a \$1bn US Navy and Marine Corps order for air-craft laser designators which

This Week/People ...

US seeks UN action over Cuban air attack

and Nancy Dunne in Washington

The US yesterday called for an emergency meeting of the UN security council to develop an international response to the shooting-down of two small private aircraft by Cuban fighter

jets on Saturday.

Mr Warren Christopher, US
Secretary of State, said the "lawless and tragic" incident was
"totally without justification" and should be addressed internationally because it was a viola-tion of international law. He said it had occurred in the Florida
Strait and was ordered by Cuba's

The two all that were when the florida by Brothers to the Rescue, a miami-based Cuban exile group which aids Cubans seeking to

presented with "a range of options" produced during a meeting of the US National Security Council yesterday at the White House.

Mr Christopher said the US would consult its allies about a multilateral response, but the US would also act unilaterally. Washington's response is likely to include an end to the recent easing of US restrictions on contacts with Cuba.

The two aircraft were owned

and are assumed to have died. The aircraft are believed to have ditched in international waters, but it was not clear last night wbether the shooting took

place in Cuban airspace. Mr Clinton condemned the "broad daylight" incident and demanded an explanation from the Cuban government. He ordered US forces to scour the area for wreckage. The Cuban government was

unrepentant. It said the two air-liners were "pirate" aircraft which violated its airspace as part of a bostile campaign by

Management Buy-in

£24,000,000

attempts by the Cuban government to improve its image and canvass increased international support for an end to the US

trade embargo.

Measures bave included moves to negotiate a co-operation agreement with the European Union, which would lend weight to Havana's argument that current US government policy towards Cuba is anachronistic and self-defeating.

European diplomats said the Cuban government's uncompromising attitude towards even moderate political opponents who

This announcement appears as a matter of record only

By Pascal Fletcher in Havane "highest military authorities". filee the regime of President Fidel right wing Cuban exiles in favour peaceful dialogue was not and Nancy Durme in Washington President Bill Clinton will be Castro. Four men were on board Miami. The shooting comes amid likely to help the process of negotiations for an EU-Cuba co-operation accord. The US government recently

eased currency, travel and trade restrictions on Cuba and seemed likely to move towards a lifting of the decades-old trade sanctions if Mr Clinton won a second term. In July, Brothers to the Rescue members flew over Havana dropping leaflets calling for the overthrow of Mr Castro. The Cuban government warned that it would intercept or bring down such air-craft, and the US Administration warned the group to avoid Cuban

Development Capital

£5,100,000

Centre-right parties in Turkey set for new coalition talks

By John Barham in Istanbul

Leaders of Turkey's two rival conservative parties are expected to try again to form a coalition government after the collapse at the weekend of negotiations between the Islamic Refah party and the conservative Motherland party.

The talks between Refah and Motherland foundered on differ-ences over economic policy and the running of the government body which controls and finances Turkey's mosques. Mr Mesut Yilmaz, the Mother-

land leader, is now likely to resume negotiations with Mrs Tansu Ciller, caretaker prime minister and head of the True Path party. There were high-level contacts between the two centre-right parties over the weekend. But Mr Yilmaz's position is weakened because he broke his election promise not to talk to Refah, while Mrs Ciller can present herself as champion of the secular state. True Path strate-gists believe they are poised for victory in the battle with Mother-

land for control of Turkey's centre-right, which traditionally represents half the electorate. Mrs Ciller and Mr Yilmaz have Continued on Page 18 the December general election

CONTENTS

left Refah as the largest single party in parliament, with 158 of the 550 seats, and True Path and Motherland with 135 and 133 respectively. Two smaller leftwing parties hold the remainder. The two centre-right parties share the same pro-western, free market policies, but deep personal animosity between the

leaders has prevented a deal. Their talks have repeatedly failed, as both parties want to hold the premiership in any coalition .- True Path arguing that it won more votes. Motherland that it won more seats.

Observers say President Suleyman Demirel could now assume a crucial role in forcing the two centre-right parties to find a compromise and so avoid fresh elec-tions. Under the constitution, Mr Demirel is required to call elecformed by mid March.

Mrs Tansu Ciller said at the weekend: "A government will emerge from the current parlia-ment, Motherland and True Path can set up a government.

failed. Mr Yilmaz went back on campaign promises not to deal with Refah. He and Mr Necmettin Erbakan, Refah's leader, met six

Continued on Page 18

SOUTHALLS HYGIENE CORINTHIAN **SERVICES** MARKETING PLC Jointly led, arranged and structured by Arranged and financed by **MERCURY** DEVELOPMENT **MERCURY** CAPITAL DEVELOPMENT CAPITAL and 3i plc Advisors and Dela finance provided by Reporting Deloitte & Touche Midland Coopers & Lybrand Corporate Finance Development Capital Management Buy-out Ir£13,500,000 £3,500,000 WHEWAY LIFESTYLE PARC INTERNATIONAL **GROUP** The Sanctuary, Covent Garden Led, arranged and financed by Arranged and financed by MERCURY **MERCURY** DEVELOPMENT DEVELOPMENT CAPITAL CAPITAL Advisors to managemen City Venture Price Waterhouse

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Wask Ahead Leader Page

Emerging Markets -

FT/S&P-A WIS Indices ___ 22

LONDON - LEEDS - PARIS - FRANKFIRT - STOCKHOLM - MAGRID - NEW YORK - LOS ANGELES - TOKYO

Dini's plans for new party improper, says Berlusconi

By Robert Graham in Rome

ltaly's centre-right yesterday claimed that it was improper for Mr Lamberto Dini to stay on as care-taker prime minister after his decision to create a moderate centre party to contest the general election m April.

"In a game of football, you would never find the referee and linesman playing for one of the two sides," said former premier Mr Silvio Berlusconi, who owns AC Milan, the current foothall League champions, and heads the rightwing alliance.

tion as prime minister to holster his chances in the elections.

The alliance claimed Mr Dini would unfairly enhance the electoral prospects of the centre-left alliance which provided parliamentary

support for his government.

Mr Dini, recruited from his post as director-general of the Bank of Italy to be treasury minister in the 1994 Berlusconi government, announced his decision late on Friday. He resigned as premier on January 12, but has become caretaker

The right is concerned that Mr following the failure to form a new point will be able to exploit his posigovernment and the dissolution of parliament last weekend.

Mr Dini has been under intense pressure from a variety of parties to enter the political arena formally. He has staked out his independence but made it clear the centre-left alli-ance, dominated by the Party of the Democratic Left (PDS) is a logical

Pollsters suggest a centre party headed by Mr Dini, who will almost certainly stand in his native Florence, could obtain 8 per cent of the

whose Forza Italia movement risks

losing votes to Mr Dini. He said: "We wish to express our profound bitterness to the head of state over the way a government considered neutral and in place to guarantee Italy's European presidency should today become a party to the election campaign beside the Olive [the symbol of the centre-left

The most prominent ally of Mr Dini in his new venture is Mr Mario Segni, the former Christian Demoease with the PDS-controlled centreleft alliance

But Mr Dini has also found supporters among former members of the now defunct Socialist party and from Mr Vittorio Cecci Gori, a senator for the centrist Popular party (PPI) who is trying to create a third television network round his newly acquired channels, Telemontecarlo and Videomusic.

Mr Dini's task will not be easy. Mr Massimo D'Alema, the PDS leader, himtly warned him against

The strongest protest over his move came from Mr Berlusconi. crat leader of the referendum move trying to break Italy's nascent bipolar system by creating a third force. Mr Dini had been able to survive and prosper as premier last year thanks to the PDS and its allies. Some of these allies - especially the former centrist PPI - see Mr Dini as

a direct competitor for their elec-The entry of Mr Dini also raises question marks about the position of Mr Romano Prodi, the former.

head of Iri, the state holding

company, chosen last year to head

the centre-left "Olive" alliance.

Mr Prodi has failed to establish a strong public image and Mr Dini is now a rival for the prime minister's job after the elections.

In what seemed a curious coincidence, Mr Prodi was informed by magistrates last Friday that he was under investigation for alleged abuse of office while running hi m

The incident concerns the privatisation of the foodstuffs group, SMR. Mr Prodi said over the weekend that he had a clean conscience and refused to be blackmailed over the

Siberian oilmen welcome cash flight

Companies seek ways of avoiding cycle of debt. reports Chrystia Freeland

very few months Vitali, Sasha and Dima put on long, woolly underwear and three pairs of socks, and strap on pistols before boarding a rickety Aeroflot jet headed for Siberia with almost a third of a million dollars' worth of crisp new roubles in their carry-on luggage.

Depending on the weather, their arduous journey - a 3½-hour flight from Moscow to the Siberian city of Novyi Urengoi, followed by a frigid 90-minnte ride in a helicopter even further north to the small settlement of Gaz-Sala - can take as

long as four days.
But, in the wild world of post-communist Russia, dispatching three armed security guards loaded with 40lb of cash is the most efficient way to pay the workers of the far north who produce the oil and gas which is their country's life-

Vitali Sasha and Dima represent one of the countless cumbersome and costly strategies which Russian husinesses adopt to navigate the wave of wage arrears which threatens

to engulf the economy.
Unpaid wages, which total at least Rhs20,400bn (\$4,3hn) according to official statistics, are one of the country's most crippling economic problems and bave become a central issue in the campaign for the June presidential elections.

In an effort to appease disgruntled voters, many of whom have not seen wages for several months. President Boris Yeltsin last week promised to resolve the wage arrears crisis completely by next month.

It is a politically attractive pledge, but many economists have warned that it will be sible to fulfil. The Kremlin owes only Rbs3,500bn to government employees such as doctors, teachers and soldiers. The rest is owed to workers in privatised or partly privatised

The tenuous financial life of Zapollarneftegazgeologia -(ZNGG), the Arctic oil and gas exploration company which is periodically bailed out by the casb-couriers from Moscow,



Revellers dance around a burning dummy symbolising winter, in Moscow's Gorky Park, in festivities marking the end of winter.

suggests how difficult it is likely to be for many companies to find their way out of the maze of Russia's fledgling market economy.

Like many Russian companies, ZNGG – the sole employer for the 3,000 resldents of Gaz-Sala, a snowbound settlement north of the Arctic Circle - has brilliant prospects, but today leads a miserable, hand-to-mouth exis-

As an oil and gas exploration company, it has the right to acquire valuable production licences. That made ZNGG an attractive buy for Nipek, an aggressive Russian investment company based in Moscow which bought a majority stake last year. But to gain de facto control, the new owners had to fight a pitched battle with the nearly six months and crippled the company.

"The enterprise was paralysed by this war," says Mr Joseph Piradasbvili, the new, Nipek-appointed director.

Like thousands of potentially profitable Russian companies, ZNGG is caught in a web of debts from its clients and enormous, unpredictable tax bills. The company owes Rbs42hn in taxes, but the government and Gazprom, Russia's monopoly natural gas exporter and the country's richest concern, owe ZNGG Rbs30bn.

The main victims of the financial crunch are ZNGG's 2,000-plus employees.

"The most difficult thing for me is psychological," said Mr Piradasbvili, a multilingual former theoretical physicist forced into commerce by the collapse of the Soviet Union. People come to ma with tears in their eyes and beg for their wages and I must be hard and refuse. I have become like that caricature of an evil capitalist whom we used to read about as schoolchildren." But Mr Piradashvili and his

By Caroline Southey

The European Commission could shortly agree to turn down two requests from indus-

try to impose duties on

"dumped" imports from third

countries, providing fresh evi-dence that the Commission is

moving towards a more dis-

criminatory anti-dumping pol-

icy.
Two highly sensitive cases involving 3.5 inch floppy disc (mini-disc) imports from Hong Kong and hydraulic excavator

imports from Sonth Korea are

onder review by the Commis-

sion. Final decisions are not expected until next month at

the earliest, but there are indi-cations that the Commission

could recommend that in nei-ther case could it find any evi-dence of dumping – pricing exports at levels below those in

If the Commission decides

not to impose duties in these two cases, it would indicate

that the EU is becoming less

the exporting country.

because they know that if the around crippling financial regcompany stops operating it will not be awarded the promised oil and gas production licences.

Since Nipek took effective control of ZNGG, it has reduced overall wage arrears from Rbs9bn to Rbs4bn. To do that, Mr Piradashvili has resorted to some creative manoeuvres. Using the security gnards, who delivered Rbs1.5bn to pay wages earlier this month, is one example. One advantage of the couriers is that they allow Mr Piradashvili to avoid the walloping 7 per cent commission local banks charge for cash with-

Moreover, the cash transacbosses in Moscow are doing tion, and some fancy legal foot-their best to keep ZNGG afloat work, allow ZNGG to dance

Brussels may take softer

in its review of anti-dumping

Pressure has been mounting

on the EU to review its anti-

dumping policy. following criti-cisms that its aggressive

approach against imports rang-

ing from electronics compo-

nents to raw materials was

undermining global trade liber-alisation and sheltering ineffi-

The EU already has already

imposed doties on micro-dises

imported from Hong Kong and

a number of other countries.

At the request of European

gating whether there is a need

for additional measures. The

investigation has also covered

eight other countries, includ-

ing Malaysia and the Philip-

The micro-disc case is partic-

ularly sensitive because the

Commission is, for the first time, looking at "circumven-

tries. This involves establish-

ing whether countries have

moved production in order to

avoid anti-dumping measures.

Spend more, French told

eight radio networks since Feb

practices in these coun-

producers, it has been investi-

drawals.

line on anti-dumping

cient producers.

ulations which can make it impossible for indebted companies to pay their workers. If Nipek were to put money directly into its new subsid iary's accounts to pay wage arrears, the money would be claimed immediately by the government to go towards ZNGG's tax bill

Over the next four months, Mr Yeltsin has promised to bring Russians a modern market economy where wages and taxes are paid on time. But, for the people of Gaz-Sala and other remote Siberian settlements, Russla bas over the past four years become a byzantine place where wages are paid from suitcases delivered by armed messengers, or not at

are controversial because there

are no rules governing such

practices under the World

Trade Organisation. Disagree-

ments among WTO members

during the last world trade

talks meant the issue was left

unresolved, despite earlier US

pressure for the inclusion of a

tough clause on circumven-

in the case of the export of

excavators from South Korea,

recent evidence suggests there

is little evidence of large-scale

dumping. At the same time, EU producers who initially songht the investigation appear less concerned about

dumping following a strong

The complaint, initially filed by the Committee for Euro-

pean Construction Equipment,

covered self-propelled excava-

tors weighing more than six

tonnes. Early last year Cece said it believed continued

dumping by the South Koreans

could, in the long term, force

recovery in the market.

INTERNATIONAL NEWS DIGEST

Gunfights in Bangladesh

Opposition militants clashed with police and fought gun battles with government supporters yesterday in a campaign to force Bangladesh's newly re-elected prime minister. Begum Khaleda Zia, from power. Opposition leaders fled their homes as police searched the country on the second day of a violent non-cooperation campaign that has cost two lives and injured 130 people.

Witnesses said only rickshaws and a few state corporation buses moved in Dhaka yesterday. Trains, ferries and inter-city buses moved in Dhaka yesterday. Trains, ferries and inter-city buses were mostly not running. The country's two stock exchanges, in Dhaka and Chittagong, were closed. Only senior employees turned up in government offices. Private offices were closed. Most banks kept their doors shut.

Today is the last day of a 72-hour national stoppage called by opposition parties to protest at the alleged unfairness of the recent general election.

Reuter, Dhaka

Violence growing in Egypt

Egyptian security forces yesterday said that attacks hy Moslem extremists on villages in the southern province of Assist which killed eight people over the weekend had brought to 24 the number of people who have died over the past 10 days in militant violence which continues to plague

isolated parts of Upper Egypt. Until the latest spate of attacks the violence had been contained to a number of areas in the Minya province, but the spread to other areas has concerned local authorities who thought they had successfully dealt with the problem. in an interview with a local magazine yesterday Mr Hassan al-Alfi, interior minister, said he would again upgrade the level of security forces in the region "to strike at the remaining nandfuls of terrorists".

Last week, the militant group responsible for most of the attacks, Gama'a al-Islamiya, warned of increased operations in Upper Egypt and in Cairo, which has been free of militant violence for more than a year.

Seoul boost for foreign investors

The ceiling on the foreign ownership of listed South Korean companies will be raised to 18 per cent from 15 per cent from April 1, the finance and economy ministry said yesterday. The measure is meant to help win approval for South

Korea's entry into the Organisation for Economic Co-operation and Development this year, while also boosting the sluggish Seoul bourse ahead of parliamentary elections in mid-April The ceiling on individual foreign investment in a listed . company will be increased from 3 per cent to 4 per cent. Total foreign investment in two "strategic" state companies.

Pohang Iron & Steel and Korea Electric Power, will be raised to 12 per cent from 10 per cent, although the limit on individual foreign stock ownership in these companies will remain unchanged at 1 per cent. John Burton, Secul

Korean banks' bad loans rise

Bad loans of South Korea's 25 commercial banks rose by 19.2 per cent to Won2,290bn (\$2.9bn) last year, although the ratio of non-performing loans to total lending remained unchanged at 0.9 per cent. Seoul Bank had the largest amount of bad loans

at Won520.6bn - 2.6 per cent of its total loans.

The Office of Bank Supervision said the ratio of bad loans to total lending was the lowest since the late 1980s. This follows an aggressive write-off of non-performing loans in the last few years, with the government encouraging banks to clear their books of bad debts by 1998. Total lending also increased faster than the growth in bad loans last year.

The jump in the non-performing loan amount was due to the bankruptcy of several big corporate borrowers and a sharp

rise in credit card loan defaults. However, most bank analysts believe the extent of the bad loan problem is much larger than admitted by the

Chechen fighting may spread



Russia's protracted and unpopular war in Chechnya threatened to spill into the neighbouring region of ingushetia, when Russian forces pounded an Ingush village with artillery fire for the fourth day yesterday. (Left: a Russian conscript has breakfast in Ingushetia.) Russian officials denied

they had attacked Ingush targets and said they were trying to finsh out Ghechen separatist fighters from a nearby Chechen town, but witnesses confirmed that Rossian guns were firing on the Ingush town of Arshty. The Ingush have close

ethnic, religious and historical ties with their Chechen neighbours, but the region has carefully avoided being drawn into the fighting since it began 14 months ago. Ingush officials said yesterday an agreement had been

made on a Russian withdrawal, but there was un confirmation from Moscow. The Ingush said up to 6 civilians had already died in the fighting on their territory and warned that Moscow's actions risked spreading the war beyond the borders of Chechnya. Some Ingush leaders have accused bardliners in the Russian military of deliberately seeking to escalate the conflict to create a pretext for a postponement of June presidential elections

President Boris Yeltsin has repeatedly pledged that the ballot will be held on time. He has also promised a swift end to the bloodsbed in Chechnya but has yet to produce a workable peace plan. Chrystia Freeland, Moscow

BBC World on move in Asia

BBC World, the BBC's international news and information channel, will from April 1 transmit to South Asia, one of the channel's biggest audiences, from Pan-Am Sat 4, when its present agreement with Mr Rupert Murdoch's Star TV expires at the end of March. BBC officials said they bad agreed a long-term lease of a PAS4 transponder with the aim of safeguarding the British broadcaster's second biggest international audience outside Europe. BBC World claims to reach 8.5m homes in India and 12m in South Asia. Star TV will continue to handle BBC World's advertising in the region. Star also said it would continue to discuss "distribution opportunities" with the BBC. Mark Nicholson, New Delhi

End Emu debate, Kohl pleads

By Andrew Fisher in Frankfurt

German Chancellor Heimut Kohl yesterday called for an end to discussion about the timing and membership of European monetary union and said he opposed moves to delay its start beyond 1999.

His comments, in a televi-sion interview, came amid growing uncertainty among German businessmen - especially at small and medium-sized (Mittelstand) companies -and the public about Emn's implications. Many private investors are also shying away . from the purchase of securities which mature after Emn begins and the D-Mark is

replaced by the Euro. Mr Kohl firmly repeated the Bonn government's view that Emn must be based on strict. adherence to the Maastricht treaty's economic criteria and begin on schedule on January 1 1999. He said his emphasis on the need for stability did not

mean be favoured a postpone-ment of Emu beyond 1999. "Stability has always had the absolute priority for me," he said. "But you cannot read that to mean that I am for a postponement of the timetable absolutely not." Much recent debate on Emu has centred on whether enough countries will qualify to start Emu in 1999 and whether, if not, the plan should be delayed or the criteria softened.

'I think we should stop this discussion over who is coming now or who can and who cannot [become a member of mon-etary union]." Mr Kohl added. "Everyone has to do his homework. We Germans have a lot to do in this area." Germany. exceeded the Maastricht criteria on public deficits last year - the treaty states these should be no more than 3 per cent of gross domestic product and also expects to overshoot

in 1996. Mr Theo Waigel, the finance minister, denied a newspaper story that his ministry had pre-pared a report to the German parliament's finance committee saying falling tax revenues and plans to cut unemployment would push the public deficit so high that the criteria would also be missed in 1997. He called this "pure speculation"

The report, in Bild am Sonn-tag, the Sunday tabloid, said Germany would miss the tar-get next year with a deficit of around 4 per cent of GDP compared with the 3.5 per cent forecast for 1996. It said this would be caused by falling tax revenues as a result of the weak economy and the impact on spending of plans to cut high unemployment. "Who can say today that we

won't fulfil the criteria in 1997?" Mr Waigel said. He pointed out the 1997 budget was not yet adopted and the impact of tha recent 50-poin: jobs plan was still unclear. He insisted that the government still held to the 1999 starting date for currency union. Investors nervous, Page 21

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By Andrew Jack in Paris The French government this weekend wound down a public-

ity campaign designed to help boost sluggish consumer spending, which had met with a mixed reaction from the advertising profession. Two weeks of appeals on

national radio stations appear to have done relatively little to boost interest in a series of measures designed to help stimulate the economy. The campaign, jointly co-or-

dinated by the Matignon, the prime minister's office, and the ministry of economics and finance, ran under the slogan: "Recovery... we'll bring It about together." At a time of calls for budget-

ary rigour, the government stressed that the total costs of

the campaign - running on

ruary 10 - were just FFr7m (\$1.4m), and were produced by a freelance rather than by an expensive advertising agency.
They involved testimonials

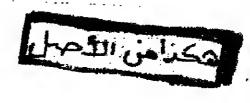
with seven people describing bow they would be taking advantage of a series of measures announced by ministers in the last few weeks.

The measures include tax deductions on loans taken out to spend on consumer goods; lower interest rates to renovate or buy accommodation: and similar discounts for borrowing by small business and local communities.

The government estimated that the radio broadcasts, scheduled to go out at peak listening bours, should have been beard on average eight times by 80 per cent of Freoch its campaign comes at a time of gloomy predictions about the French economy. Mr Jean Artbuls, French economics minister, launching the new initiatives at the end of January, conceded that growth was lower than expected, but argued it would recover during the second half of the year.

Some economists are more sceptical, and argue it is now unrealistic to expect France to be able to reduce its budget delicit to 3 per cent by the end of next year to comply with the Maastricht treaty ahead of monetary union.

The measures themselves have also come in for criticism. with bodies such as the Patronat, the French employers' federation, arguing that business investment rather than consumer spending is the way to nelp relaunch the economy.



NEWS: SPANISH ELECTIONS

Spaniards vote next Sunday, choosing between Socialists and the Popular party. David White looks at the parties' chances and the way the electoral system works

Aura of power now attached to Aznar

"This is not about who wins, but by how much," Mr José Maria Aznar said at the launch of the Popular party's campaign manifesto in Spain three

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weeks ago. His confidence has been vindicated by pre-election opinion polls. With less than a week to go, it would take an amazing upset to deny the centre-right party its first general election

Mr Aznar himself, 43 yesterday, has become more self-assured, less stiff, as if the aura of power were already attaching itself to him.

The PP never really accepted

its defeat at the last election three years ago. A repeat of that reversal, when the ruling Socialists unexpectedly snatched a fourth consecutive victory, looks ever more

Weekend polls in four main newspapers showed the PP sning ground, with a lead of between 6 and 11.6 points, probably enough to govern on its own, although only one put it clearly above the 176 seats needed for an outright major-

ity in Congress. With such consistent expectations, the PP is fighting against complacency in the closing stages. As Mr Aznar made clear at the outset, the arithmetic of seats will be cru-

His plans for overhauling Spain's administration depend greatly on being free to govern. without having to strike deals

with smaller, regional parties, Mr Felipe Gonzalez, the 53-year-old prime minister, in his busiest and toughest campaign since coming to power in 1982, is trying to keep Socialist party hopes alive, saying it is really "a stone's throw" from the PP. But Socialist leaders, demoralised by the impact of corruption and other scandals, are all

They are running a defensive "Spain, the positive side" - trying to rally supporters to the defence of Spain's welfare system, whila their opponents swear they are not trying to

he Socialist message relies heavily on the theme of a hid-den PP agenda.

"It's not the best campaign of our history." says a long-standing Socialist regional leader. He gives the PP seven marks out of 10 for its campaign; and his own party four.

The PP is running under a less obscure motto - "With the new majority" - clearly designed to convey the idea of a bandwagon ready to be

per cent.

In local elections last year,

the Socialists lost support to both the PP and IU. Socialist

planners do not expect to

retrieve votes from the PP.

Their result will depend on

how much of a "useful vote" they can win away from IU and

suading people not to abstain.

Abstention. 20-30 per cent in previous general elections, has become more the left's problem

Millions of Spaniards are still undecided. PP strategists

say 500,000-700,000 will proba-bly make up their minds at the

last minute. And, in a country

where lotteries have a longer

history than elections, there

are always those who will vote for whichever party looks like

than the right's.

Its campaign has been orderly and tightly controlled. Nobody has been caught mak-ing gaffes such as praising General Franco - as a candidate did during last year's municipal elections – and Mr Aznar has resisted being drawn into slanging matches. The party has kept up an image of unity. "In Spanish parties you cannot afford to bring internal debates out into the open," says a senior PP pol-

The Socialists, by contrast, have been in disarray, with factions squabhling over places on lists of candidates. In Vigo, the centre of last year's European-Canadian fishing conflict, they threw chairs at each

The Socialists have bolstered their candidates' list by recruiting non-MP members of government such as Mr Pedro Solbes, finance minister, and Mr Juan Alberto Belloch, justice and interior minister. The PP, meanwhile, has broken its own rule that people should not be mayors and MPs at the same time by fielding its popular women mayors in the Andalucian cities of Cadiz and Målaga. It is looking for big gains in Andalucia, which is holding regional elections at the same time.

The Socialists have adopted provocative tactics, ontraging the PP with television spots depicting "negative Spain" in black-and-white sinister images including a savage Doherman. In Catalonia, Socialist posters show Mr González's eyes next to Mr Aznar's moustache. "Felipe or Aznar - you decide," they say.
"Never has it sunk so low,"

says Mr Aznar. But, in an elecviolence, the Socialists also accuse the PP of dirty play in attacking the government's anti-terrorist record.

Opinion polls - often unreliable, and prohibited after today - have been consistent in reckoning the PP's share of the vote at around 41-42 per cent. They differ much more in their estimate of the drop in the Socialist party's vote, and the gains for the Communistled United Left (IU), out to beat the Communist party's late

An old Spanish voting practice ripe for reform

gress of Daputies will be unknown even to the people who vote for them. So were

most of the outgoing Congress. The reason is an electoral systam conceived to smooth Spain's return to democracy but now regarded by the main political parties as needing

The parties loom larga in anish public life, but parliament and its procaedings hardly figure at all.

Both the Socialists and the

centre-right Popular party are now for the first time proposing changes. The thrust of their proposals is to allow vot-ars to express preferences between individual candidates rather than having to opt, as now, for fixed lists drawn up

by the parties.

The faces on electoral posters all over Spain are the No. 1 candidates on party lists. But in almost every case, both the PP and the Socialist candidates on the posters are certain to be elected. The election datermines how many others get in

behind them.

The constituencies are the 50 provinces of the Spanish mainland and islands, plus the North African enclaves, Ceuta and Melilla. The seats are distributed according to popula-tion. But, with a minimum of three per province, tha ratio varies. Barcelona's 31 deputies work out at one for every 126,000 electors; rural Soria

gets one for 26,500. Each party or coalition presents a list of candidates, numfered in order of preference. Seats for each constituency are

Most of the 350 men and women who will be elected next Sunday to Spain's Connamed after its Belgian inven-

It goes like this. The number of votes received by each party is divided successively by one. two, three and so on up to the total number of seats at stake. The resulting figures, placed in order, determine bow many from each list are elected.

The effect of this peculiar way of counting is to give the bigger parties more than their relative weight - a deliberate distortion designed to strengthen the party structure and make the country more

easily governable. A party can feasibly get a majority of seats with under 40 per cent of the vote; the Socialists did it in 1989. But if there is a strong second party, a

larger share is needed.
The Communist-led United Left wants a more proportional system and an increase in the size of Congress from 350 to 400 members. This contrasts with the proposals of other parties, which focus on "unblocking"

the electoral lists. A wider consensus exists on reforming the Senate. On Sunday voters will alect 208 of the 256 members of the upper house. Each province gets four senators, with more for the islands. In this case, voters get to choose names. The remaining senators are currently nominated by the 17 self-

governing regions.

The planned reform - which requires changing the constitution - would make it into a fully regionally based body, consolidating the devolution process that bas taken place

Spain goes to the polls

The parties

party is the country's oldest

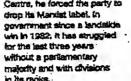
deting political party and has





tate 1970s to Union of the

been led by









founded in the early post-Franco contests and now teads the





the political centre. It led short victory in 1993 but has since European, regional and municipal national election opinion polls

The polls

(1993 results in brackets)

principal underground force opposing the Franco regime. IU es provided a home for dissiden Societists, ecologists and independents. Led by Julio Anguita a severe critic of Socialist the party attracts a protest vote

160-184 (141)

108-145 (159)

40.5-44.1% (34.8%)

11-15% (9.8%)

4-4.5% (4.9%)

0.8-1.5% (1.2%)

*Ranges of opinion results published in the last two weeks by ABC, El País, El Mundo, La Vanguardia, Colpies, El Penódica/Antena 3



The Convergencia i Uni nationalists and Chris mainstream political group in Catalonia since the early Pujol, now in his fifth term as Catalan president, election by withdrawing support from the minority Socialist government last

is a century-old formation founded on the principle of a parate Basque Identity It is the dominant party in the Basque regional government, but, after a hism in the mid-1980s, has had to rely on alliances with other parties, including the Socialists, Its leader is who, under the party's peculiar rules, cannot hold

The parliament: Congress of Deputies, 350 seats United Left (IU) 10 seats

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DEVELOPMENT AGENCY

Bombs pile pressure on peace process

By Julian Ozanne in Jerusalem

Can a wave of Islamic terrorist attacks destroy the electoral chances of Mr Shimon Peres. Israel's prime minister, and sabotage the Arab-Israeli peace process set in train by the Labour-led coalition govern-

These are the key questions raised by yesterday's horrific suicide bomb attacks against Israelis as the country gears up for one of its most crucial elections in the 48-year life of the Jewish state.

Much depends on the extent to which Israelis believe there is any viable alternative to pressing ahead with the peace process and their capacity to repress their natural outrage and grief.

Defeat for Mr Peres and his Labour party at the May 29 elections would spell an end to the peace process Although Mr Peres has been riding a wave of public sympathy since the assassination of former prime minister Yitzhak Rahin last November, nothing is more capable of undermining his substantial lead over right-wing Likud leader Benjamin Netanyahu than a wave of terror attacks in the run-up to polling day.

In a country deeply concerned about personal security Palestinian guerrilla attacks strike violently at support for the peace process and the government overseeing it.

This is exactly the intention of yesterday's bombings carried out by the Hamas Islamic Resistance Movement, which claimed 25 Israeli lives

The bombings are also a powerful and ugly reminder of the continuing hatred and animosity among many Palestinians for Israel and of the potential for violence that remains at this stage of the Israeli-Palestinian peace process, now at the half-way mark in a fivevear timetable

The attacks, which ended Hamas' undeclared six month truce, also show the failure of Palestinian President Yassir Arafat to reach a political accommodation with Islamic extremists after months of stop-go dialogue. This has strengthened the hand of hardliners inside Hamas, allowing them to reactivate their military campaign.

Hamas has to be dealt with and it has to be dealt with politically and Arafat has not yet realised this. He still thinks he can outmanoenvre them without giving anything," said legislative council.

So long as Hamas remains outside the peace process and seemingly beyond the reach of the Palestinian and Israeli security services it will be able to strike destructively at the peace process and the Israeli government.

"The attacks could be a big factor in elections," said Mr Uri Dromi, government spokes man. "God forbid that we will have more attacks but at the end of the day people will have What can the opposition do to



An Israeli near the wrecked bus yesterday holds a burning copy of the Koran

eradicate terrorism that the government hasn't tried

In the past Palestinian suicide attacks, which have claimed more than 80 Israeli lives since the Israeli-Palestinian "Oslo" peace agreement was signed in September 1993, have had an immediate negative impact on the popularity of the process and the govern-

But, in a move which should give the government comfort. pollsters say the Israeli public is becoming increasingly hardened to terrorist bombings and less likely to hlame the govern-ment. Some pollsters believe many Israelis are now viewing Palestinian attacks as similar to homhings by the Irish Republican Army in Britain: impossible to stop.

The restrained reaction yesterday of Mr Netanyahu should also help dissipate any negative public reaction.

He refused to be drawn into criticism of the government handling of Israeli security and called upon Likud party youthwingers not to moont anti-government protests during a two-day mourning period. Nevertheless, the peace pro-

cess will be the central issue in the election campaign, due to open formally in six weeks. The opposition will focus its attacks on the government's peace policy, arguing that it is opardising Israeli security. Although Mr Peres has con-sistently held a 10-20 point lead

over Mr Netanyahn since last November, Israel traditionally has a large body of floating voters who could easily swing towards Likud in the wake of Palestinian attacks The government will con-

tinue to press the case that there is simply no alternative to going forward with the peace process. They will also pile more pressure on Mr Arafat to crack down on the

lts only other option is to

hy Hamas yesterday and honour its commitments made in the peace accords to release thousands of Palestinian pris-

Releasing prisoners is unlikely, in itself, however, to curb Islamic opposition to the peace process. A greater responsibility rests on Mr Arafat to seek a political accommodation with Hamas which guarantees the Islamic movement genuine power-sharing in return for a cessation of violence. This, combined with more committed measures against those who refuse to give np violence, offers the best chance to consolidate the

Mr Arafat has shown little willingness to grasp the Hamas nettle firmly. But the Palestinian leader knows that if Hamas is not contained and continues its campaign of bombings, the future of the Labour government, and with it his embryonic state, is at serious

Iraqi killings unlikely to hit all for to hit oil-for-food deal

Murder of defectors is condemned but UN moves go on, write Robert Corzine and James Whittington

The murder in Baghdad last Friday of two sons-in-law of President Saddam Hussein is unlikely to have a direct impact on talks with the United Nations on possible Iraqi oil sales.

There has been widespread international condemnation of the killing of General Hussein Kamel, former head of Iraq's military procurement system, and his brother Saddam Kamel, who along with their wives returned to Baghdad last week from exile in neighbouring Jordan. But diplomats said there were no signs that the oil-for-food talks, currently in recess, would be affected.

Arab diplomats have also ruled out any long-term political consequences as a result of the murder of the two men and several other members of the family. But they said the extraordinary events in Baghdad last week would strengthen the psychology of

fear already prevalent in Iraq. The return of General Hus-sein Kamel "was a godsend for Saddam," said one diplomat. It removed an irritant and returned his daughters and at the same time it sends a strong message to the Iraqi people that they shouldn't even think of opposing the regime."

Few people had expected that Gen Hussein Kamel, formerly a powerful figure in Iraq's ruling elite, would sur-vive long in Baghdad. But his decision to return to Iraq was thought to have come only after he had been guaranteed clemency, perhaps as a humanitarian gesture hy Mr Saddam aimed at the international community which he is desper-

"Looking back, the only acceptable explanation for his return is that it was an absurd, irrational decision made by a deluded person who believed he had reached the end of the line," said one Arab diplomat.

Iraqi officials have sloughed off criticism of the killings. Mr Nabil Najim, Iraq'a ambassador to the Arab League in Cairo, said: "His end had to be expected. He deserved the death penalty because he was a traitor who caused a great deal of damage to Iraq." Although tha spaed with

which the two defectors along with their father and another brother who remained in Iraq – were killed took most observers by surprise, the out-come has reminded the people of Iraq and the international community that street thuggery remains the basic staple

of politics in Baghdad.

Although diplomats say the killings should not upset the UN talks, they are bound to affect the atmosphere surrounding the negotiations on UN Resolution 986, which anthorises Iraq to export \$2bn of oil to raise money for food and medicine. Some diplomats believe the

events in Baghdad may make Mr Boutros Boutros Ghali, the UN secretary general, who is closely identified with the humanitarian initiative, more cautious when drawing up an implementation plan for Security Council consideration.

Even before the killings estern diplomats warned that Mr Boutros Ghali'a "credibility was on the line". "If he comes back to the Security Council with a plan that runs into problems, then he'll take the blame," said one diplomat Mr Abdul Amir al-Anbari Iraq's main negotlator returned to Baghdad yesterday to report on the first round of the New York talks. These highlighted areas where agree ment has still to be reached including the contentions issue of how the aid will be distrib.

uted within Iraq. Although the talks went for. ther than previous unsuccess. ful attempts to reach an oil-forfood deal some Security Council members remain wary of Iraq's intentions. "It is still an open question whether Saddam is serious about accepting 986," said one diplomat.

But state-owned newspapers in Iraq yesterday detailed preparations being made to receive food and medicines under the plan. And some diplomats believe Friday's events make an Iraqi acceptance of 986 more likely. Mr Saddam, having seen off the most serious challenge to his leadership and "saved face" as a result of the defectors' deaths, can now afford to make concessions, they argue Another factor will be Mr

Saddam's view of US-inspired moves in the region, especially growing rapprochement between Jordan, Kuwait ans. Saudi Arabia. Fears that Iraq's border with Jordan could be closed may convince him he needs to accept 986 to secure an independent lifeline to the outside world. "At the end of the day, if 986 does not fit into Saddam's bigger agenda, tt won't work," says Mr Vahan Zanoyan, an analyst at the Petroleum Finance Company in Washington. "But seemingly unsurmountable hurdles can be overcome if it does."

goals urged by WTO chief

By Guy de Jonquières

Mr Renato Ruggiero, director-general of the World Trade Organisation, has called on member governments to commit themselves to achieving in the multilateral trade system goals at least as ambitious as those they are pursuing in regional trade arrangements.

Mr Ruggiero viously voiced doubts about the benefits of regional groupings - said they had now become as important as the multilateral system in shaping the development of international trade, and were contributing positively to the liberalisation of world markets.

However, he said the multilateral system differed from regional arrangements - such as the Asia Pacific Economic Co-operation forum, the North American Free Trade Agreement and the European single market - because it had set no target date for the achievement of completely free trade.

Mr Ruggiero did not explicitly endorse such a target date for WTO work. But he said he had got a strong message from an international trade policy conference in Brisbane, at which it was proposed WTO members commit themselves to creating by 2020 a global free trade area in which all would remove border barriers. He said that, as well as matching the ambitions of regional trade groupings, adop-tion of such an objective by the WTO could meet demands by developing countries for freer access to industrialised countries' markets.

The conference, hosted by Mr Bob McMullan, Australia's trade minister, was attended hy trade policymakers from 15 Asian, European and Latin American countries and by senior officials from the International Monetary Fund, the World Bank and the Organisation for Economic Co-operation and Development.

The US was the only leading trading power not to send a senior official to the conference, one of a series of gatherings planned this year to pre pare for the WTO's ministerial meeting in Singapore in December. Washington claimed that budgetary constraints prevented it from being represented in Brisbane.

Mr Ruggiero said the idea of a global free trade area was likely to feature in discussions on the future of the multilateral trade system, though he did not expect it to be taken up formally in Singapore. He said WTO's top priorities were to implement the Uruguay Round world trade agreement, conclude promptly negotiations on liberalisation of telecoms and other services and continue reducing tariffs and other forms of border protection.

Ambitious trade | Keating narrows gap as Australian voting nears

By Nikki Tait in Sydney Anstralia's governing Labor

party yesterday appeared to be closing on the opposition as campaigning in the federal election entered its final week. A Sun-Herald newspaper poll of marginal seats showed Labor 4 percentage points behind the coalltion of the conservative Liberal and National parties, compared with as much as 12 percentage

points four weeks ago. In further boosts for Labor. Mr Paul Keating, the prime minister, seemed to have got the better of Mr John Howard, vised debate last night, and Labor made a strong showing in Saturday's state elections in Tasmania.

A studio andience gave Mr Keating a clear win hy 56 per

debate - the second between the two leaders. Mr Keating was given an edge by a similar andience in the first debate but by a smaller margin. Mr Howard repeatedly

cent to 44 per cent in the

accused Labor of breaking promises - on privatisation and tax cuts - over its 13-year tenure in government. Mr Keating countered hy criticising the coalition's

determination to fund its promised environment programme out of the partial privatisation of Telstra, the gov ernment-owned telecom group. There is little guarantee the Telstra sale will go ahead, as minor parties, opposed to such a move, are likely to hold the

balance of power in the Senate, parliament's upper house. In Tasmania's state election. there was a swing of more

than 10 points away from the Liberals and largely to Labor. The poll is likely to leave Labor and the coalition with 15 seats each, with Greens and an independent holding the remaining five seats.

Labor has said it will not try to govern from a minority position, so the onus is on the existing Liberal administration to try to govern. Both Labor and the coalition

have warned against drawing too close a connection between state polls - coloured by local issues – and the federal election. Moreover, the Liberals polled well in the federal seat of Bass, in north-east Tasmania. This is currently held hy Labor but is the most marginal seat in the country, with Labor's edge in the 1993 election being just 40 votes. See Editorial Comment

Taiwan begins campaign for first presidential poll the start of the official cam-

By Laura Tyson in Taipei

Talwan's presidential hopefuls began their election drives in earnest at the weekend as the official campaign period com-menced for Talwan's first direct vote for its highest

With voting just a month away, reports continued to mount that China, which regards Taiwan as a province in rebel hands, is massing forces in coastal Fujian province in preparation for largescale military exercises. The manoeuvres are intended to sow worries and confusion in Taiwan ahead of the March 23 election, which China fears may be a prelude to a declaration of independence.

Taiwan's President Lee Teng-hui, the ruling Nationalist party incumbent, marked

paign with a rare press conference in which he emphasised the need to stabilise fraught ties with Beijing and repeated his goal of signing a peace treaty with it. Mr Lee, who is expected to win the elections by a comfort-

able margin, also said that a summit meeting between himself and President Jiang Zemin of China was possible, but would have to wait until an appropriate time. The candidate for the leading opposition Democratic Progressive party. Mr Peng Ming-min,

called on Beiling to recognise Taiwan's de facto independence and promised friendship in

The former dissident, known as the "godfather" of Taiwan's independence movement, said there was no need to declare

already a sovereign independent nation. However, he advocated an immediate declaration of independence in the event of a Chinese attack. Mr Peng also criticised the

ruling party for using Its majority control of Taiwan's three television networks to promote Mr Lee's campaign and limit coverage of other Meanwhile, Mr Lien Cha-

the premier, narrowly retained his post as the head of a caretaker cabinet in a parliamen tary session which went into the early hours of Saturday. A large-scale cabinet reshuffle is scheduled for May 20 after the presidential elections. Mr Lien, who is Mr Lee's running-mate as the vice-presidential candidate, will step down as premier at that time.

Door open to wider Europe-Asia links

Bangkok summit gives EU chance to latch on to fast-growing world market

This Friday leaders from Asia and Europe will sit down in Bangkok for a summit that will mark the first meeting between their two regions. For some in Europe the event is mere schmoozing.

There is no real agenda, and not much to expect by way of formal agreements. Leaders who attend risk eing accused of dallying idly in the Thai sunshine while

their voters freeze in a European winter. Yet as the opening draws nearer, scepticism is waning. The summit may mark the beginning of a new relationship, rather than an end in itself, hut it provides an opportunity for Europe to latch on at last to a region with some of the largest and fastest-growing

markets in the world. Officials from both regions say more direct contacts are long overdue. Asia and the US have their own institutional ties through organisations like the Asia-Pacific Economic Co-operation forum (Apec). Europe and the US have similar ties, but there are none linking Europe and Asia. Bangkok should fill the gap.

Moreover, the meeting comes as the world is still groping for a new strategic balance in the post-cold war era. The break-up of the Soviet Union. the gradual emergence of China as an international power and a perception in Asia that the US is ambivalent about its security role, have left an explosive situation in

There is not just the question of China's stormy rela-

or many in Asia it is tions with Taiwan. There is history in the making. instability in famine-ridden North Korea and conflicting claims to the Spratly Islands in the South China sea.

A stronger European relationship with Asia might help create a new balance of power and defuse these issues. Some Asian countries, such

as Singapore, make little secret of their desire to use tha summit as a means of involving China in another web of multilateral relationships to reduce bilateral tensions in Asia. Others focus more on the desire for a counter-balance to

the US with tts aggressive bilateral approach to trade However these broader security issues underlying the summit are unlikely to be broached directly. There will be talk of reforming the United Nations and the need to avoid nuclear

agenda is likely to he eco-It will focus on investment flows and on laying the groundwork for the World Trade Organisation ministerial meeting in Singapore in

At one level the trade and security issues are intertwined. Asian countries have a huge need for capital. More investment in Asla would give Europe an economic stake in the region and therefore enhance its interest in Asian security.

investment has flowed to Asia despite its booming economy. While Asia is the EU's largest export market, its share of that market is shrinking and total investment flows in 1994

Strikingly little European

were just Ecu2.8bn (£2.20bn), of which a large chunk was for oil and mineral extraction rather than manufacturing.

Prof Suthiphand Chirathivat, an economist and acting director of Chulalongkorn University's European studies programme in Bangkok, says there is a dynamic relationship between trade and investment: "The Japanese find it much

not just in the Organisation for Economic Co-operation and Development, where it is being discussed by industrial coun-

kok is likely to be a meeting of

What the two sides are seeking

Europe¹ wants

To make Asian markets more attractive for European investors

To boister the September WTO

 To promote telecommunic To promote UN reform proliferation, but the main

> easier to sell to the rest of Asia because they also produce and invest here. European products and companies are competitive, but they need to be here and integrate themselves. That gets noticed."

Sir Leon Brittan, EU trade commissioner, says: "What I'm hoping is that two subjects, the promotion of investment and working together for Singapore, could be identified as areas for follow-up and that the machinery for that follow-up should be put in

> The Bangkok meeting will give Sir Leon an opportunity to promote his proposal for an international agreement on investment in the WTO, which includes developing countries.

One concrete result of Bang-

senior trade officials, to be hosted by the European community in Brussels in the summer, to forge a common agenda for the Singapore meeting at a

Better access to European

Clear European support for Chinese membership of WTO

To establish a dialogue with -Europe at political and economic levels. The seven countries of the Association of South-East Asian Nations — Brunet, Indonesia, Malaysia, the Philippines, Singapors, Trailland and Vietnam — will attend alongside China, Japan and South

> presidential elections. Another, strongly urged by apan, is that there be parallel talks on trade and investment in the private sector along the lines already established in Apec. Mr Banharn Silpa-archa, Thailand's prime minister, who will host the meeting, says there is no intention to set a formal target for trade liberal-

time when the US is likely to

be wholly preoccupied with its

isation as Apec has. That might seem a modest outcome. More important in the minds of many is the less tangible notion that the door should have opened to closer economic and political con-

Europe will also have been forced to consider exactly what sort of relationship it wants with a region that is rapidly becoming pivotal.

Yet there are hurdles in the way of even that basic goal. One is a European lack of understanding of Asia's laid-back style. This focuses on informal contacts between leaders with no negotiation, no head-on confrontation over difficult issues and the sketchiest of pre-set agendas. While the process is as important as substance to Asians, Europeans like hard-nosed talking with

more tangible results. A more serious threat is arguments over human rights. Some European countries such as Sweden are keen to raise issues such as the treatment of children in Chinese orphanages. Portugal has a specific concern over Indonesta's annexation of its former colony, East Timor. At one stage confrontation over this threatened to disrupt proceedings but officials in both regions now say they think the issues can be finessed.

But there could still be differences over a European Com-mission proposal to link labour rights to trade. Sir Leon says Europe only wants to engage in discussion on this matter, not impose new policies on developing countries. Besides, Europeans, who are expected to offer a follow-up summit bosted by the UK in 1998, are aware of the need to avoid unseemly argument. "Ws are going there to bridge a gap, not to start a fight," says one French official.

Peter Montagnon and Ted Bardacke

Major visit raises HK visa hopes

By Peter Montagnon in London

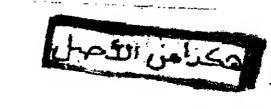
The UK may announce an agreement to grant visa-free entry to Hong Kong citizens after the territory's handover to China in 1997 when Mr John Major, prime minister, visits the colony next weekend, according to Mr Martin Lee, leader of Hong Kong's Democratic party.

"The fact that be'a decide.

to go to Hong Kong could mean that he's got good news to announce," he said in London after meetings with British government officials. UK officials declined to comment. Mr Major will travel to Hong Kong after this week's Europe/ Asia summit in Bangkok where he will meet Mr Li Peng, the Chinese premier, on

Thursday. Members of Hong Kong's Legislative Council, including Mr Lee, have been pressing for visa-free entry for Hong Kong citizens after 1997. This has so far been resisted by Mr Michael Howard, UK home secretary, who is worried that it could create a backdoor entry to Britain for mainland Chi-

Britain will continue to have a responsibility for Hong Kong after 1997 because its joint liaison group with China will continue to meet on handover issues until 2000, Mr Lee said. It would therefore have closer connections than any other country and should take the lead in granting visa-free entry to holders of the special passports that China will issus in the territory.





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Montagned

President Bill Clinton and Mr Ryutaro Hashimoto. Japan's new prime minister, parted on first-name terms at the weekend, after a fleeting first meet-

ing to set priorities.

Acknowledging, but eidestepping, urgent trade issues, the two leaders spent much of their hour of talks at Santa Monica reviewing the damage done to security relations by the alleged rape last year, on the Japanese island of Okin-awa, of a schoolgirl by US ser-

They agreed a joint committee should consider the redeployment of the 47,000 US military personnel stationed in Japan, possibly to reduce the heavy concentration of forces, and ease the continuing ten-sion on Okinawa.

Mr Hashimoto appeared to send a signal for easier relations on economic issues, with a promise of deregulation in the housing industry which should improve US exporters'

Little attention was paid to more pressing matters, although the Jepanese leader gave renewed hints that he was relaxing his hitherto forceful resistance to renewing a 1986 agreement, due to expire on July 31, that Japanese electronics companies buy at least 20 per cent of their semicon-ductors from foreign makers,

Instead, the leaders contented themselves with sizing one another up before formal talks during the US president's planned state visit to Japan on April 16, and providing evidence for their respective elecSupported by Mr Clinton, who said bilateral talks were often quicker and more effective than more complex dealings. Mr Hashimoto said he wanted to resolve economic

differences without exacerbat-

ing the debate. "It is very important to be low-key on these kinds of issues," he said. For Mr Clinton, meeting his fifth Japanese prime minister since he took office in 1993, the focus on Okinawa seemed likely to bolster his support, in the US presidential election this year, within California's extensive Japanese commu-

Strong suggestions from Mr. Hashimoto that Japan might at last be ready to align its laws on copyright of sound recordings with those of other indus-trial nations went down well in the local entertainment busi-

Earlier, also while in Calif-ornia, Mr Clinton had raised his stock locally when he told cheering McDonneli Donglas aircraft workers he bad asked Congress for funds to allow higher production targets for

C-17 transport aircraft. He also took the opportunity to take a shot at Mr Pat Buchanan, the rising Republican presidential hopeful, whose campaign has been lifted partly by his stance against trade liberalisation and who, on Thursday, had declared bimself ready "unilaterally" to end Japan's trade surplus with

Mr Clinton, whose aides stressed the rapid decline in Japan's trade surplus since last year's agreement on car imports, endorsed the middle path between being "uncritically in favour of free trade"

torates that they would be able and "pulling up the rug and closing our borders," to advance co-operation between the two countries. Party disputes threaten Mexico

electoral reform

in Mexico City

A series of political rows has erupted in Mexico, threatening to derail a long-awaited pro-

gramme of electoral reform. Negotiations to deliver proposals in time for the next session of Congress in March have been damaged by the main opposition party boycotting them, while a row about investigations of a political assassination may poison the atmosphere still further.

The reform is close to the beart of President Ernesto Zedillo, who has argued that his own election was legitimate but not altogether fair.

Previous electoral reforms have left his ruling Institutional Revolutionary Party (PRI) still with far more money and access to news media than its rivals.

But the right-leaning opposition National Action Party (PAN) is boycotting the talks over a disputed result in a local election. A victory ini-tially awarded to its candidate

what the PAN calls no more than the usual minor discrep ancies, such as consistency of officials' signatures.

Suspicions run high because the governor of Puebla state, where the election was held. Mr Manuel Bartlett, was the interior minister in charge of the elections in 1988 that brought Mr Carlos Salinas to the presidency amid accusations of fraud.

Relations between the parties took a further dive at the end of last week, when PRI officials attacked the country's attorney-general - Mr Antonio Lozano Gracia, whom Mr Zedillo chose from the PAN, in an early gesture of conciliation for his management of an investigation of the assassination two years ago of Luis Don-aldo Colosio, then the PRI's presidential candidate.

A confessed killer was convicted, but the investigation has maintained the hypothesis result of a conspiracy.

Cloud over Menem visit to France

By David Pilling In Busnos Aires

New testimony about the murder of two French nuns during Argentina's "dirty war" of the 1970s threatens to overshadow the arrival of President Carlos Menem in Paris today, at the start of a three-day official visit.

Mr Menem bopes to strengthen commercial ties with France, one of the biggest investors in Argentina's radical privatisation programme. He will treat as an unwelcome distraction claims by a former military official that the two were drugged and thrown alive into the see.

France has long demanded the extradition of a naval captain, Alfredo Astiz, who in 1990 was condemned in absentia by a French court to life imprisonment for his involvement in the nuns' death. A lawyer for the victims' families said at the weekend he would ask Argentine courts to

reopen the case.
The nuns, Alice Domon and Léonie Duquet, disappeared in December 1977, when Argentina's military government was torturing end killing thousands of civilians. Mr

Adolfo Scilingo, a former naval captain who last year revealed that death flights had been routine, said on Friday the nuns bad been among those burled out of aircraft.

Mr Carlos Corach, Argentine interior minister, said: "Nothing [Scilingo] says can in the least damage" the president's visit, in the company of 40 Argentine business executives. French-Argentine relations have been generally good since Mr Menem assumed the presi-dency in 1989. French companies have invested nearly \$3bn in Argentina during the 1990s,

mnnications, water utilities and food processing.

Among the commercial issues to be discussed will be a threat by Tucumán province in Argentina to cancel a water ntility concession awarded to Compagnie Générale des Eaux.

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taking big stakes in telecom-

Mr Domingo Cavallo, Argentine economy minister, will seek to reassure French business that Argentina remains a predictable environment for investment. Argentina hope that French companies will participate in the planned privatisations this year of airports, nuclear power plants and hydro-electric dams.

US and Japan Alarm over protection with new bite in '97

Nancy Dunne finds liberal trade backers in the US worried about a Buchanan-minded Congress

he victory of Mr Pat Buchanan in the US Republican party's New Hampshire presidential primary has sounded an alarm for the Washington "trade mafia", the looseknit group of economists, policy analysts and corporate lobbyists that has long backed liberalised trade policies.

Mr Buchanan has been running exuberantly on a protectionist platexuberantly on a protectionist plat-form, promising to withdraw the US from the World Trade Organisation and the North American Free Trade Agreement (Nafta), and to impose

huge tariffs on goods entering the US from China and Japan.
The agenda of the free trade lobby has already been frustrated by the Republican controlled Congress, which has been unable to agree on a bill to give the president negotiating authority for the expansion of Nafta.

This lobby's main concern is about the congressional elections in November, on the same day as the presidential poll. The contest for the White House still seems likely to be between President Bill Clinton and Senator Robert Dole, the Senate majority leader, so Mr Buchanan'e current success causes less unease

Eighty members of the House of Representatives have already signed up to back what would become the Nafta Accountability Act, which would virtually guarantee US with-drawal from Nafta or its renegotia-tion. This bill is given little chance of passage this year, but a new, aggressively protectionist Congress could approve similar legislation in 1987.



Mover and shaker: Pat Buchanan campaigns in Arizona at the weekend reases at

There is increasing concern that Buchanan's message will spreod around the body politic," said Mr Harry Freeman, a business lobbyist. "When it comes to the Congressional races, a good portion of Republicans and Democrats could run on the same anti-trade message

The worry is compounded by the large number of senators and congressmen, both Republicans and

Democrats, who have long supported liberalised trade but are retiring. Their successors may well agree with Ms Lori Wallach of the public interest group Public Citizen, who pointed to ths two-decade decline in real incomes in the US and the growing gap between rich and poor. She called for "a new game plan."

The constitution gives Congress jurisdiction over trade matters, but authority has been flowing towards the president since 1945. A deter-mined Congress could regain its sway. There is anxiety among Republicans that a Buchanan presidential

candidacy would split the Republican party. But the administration's trade policies have already divided Demo-crats. This dates back to the negotia-tion of Naffa side pacts on labour and the environment, after Mr Clinton,

then a presidential candidate, had promised to "fix" the Nafta negotiated by President George Bush.

Mexico resisted, and Mr Mickey Kantor, US trads representative, was overruled by the White Rouse when he wanted to take a strong stand. The resulting deals were toothless, and erstwbile Clinton supporters were outraged enough to form a coalition to educate voters across the country about the evils of trade deals negotiated by and for big business.

"Kantor was a successful, loyal, political soldier," says Mr Mark Ritchie, president of the Institute for Agriculture and Trade Policy. "He could have protected the president's left flank, but he protected his Wall Street flank instead

Opponents of Nafta have not been gloating about the success of Mr Buchanan's trade message. Mr Brent Blackwelder, president of the Citi-zens' Trade Campaign, issued a state-ment noting that the New Hampshire vote reflected "widespread disen-chantment with the promises made by free trade politicians." However, he rejected the Buchanan agenda.

"Mr Buchanan would have us build e fence on our southern border to isolate the US from its Mexican neighbours - a short-sighted and mean-

spirited solution," he said. Foes of Nafta and the WTO are often simplistically dismissed as pro-tectionists, but most of them argue that they would support trade deals written to protect workers and the

environment. They draw a distinction between the globalisation, under way among multinational companies, and global ism as a co-operative effort supported by environmentalists, labour and

buman rights activists.

Many opponents of Nafta and the
WTO believe the business lobby grew
arrogant, accustomed to having its way under Republican presidents, and saw no need to compromise with the current Democratic administration. "It was a serious mistake to let business write trade policy," said Mr Alan Tonelson, a policy analyst with US Business and Industrial Council, "Bill Clinton said he would put people first, but unfortunately be put Wall Street first. It was a complete betrayal of

Democratic party principles,"

Ms Susan Aaronson – author of Are There Trade-offs When Americans Trade? - said the business lobby bad erred by engaging in raising high expectations for the trade initiatives. "There will have to be adjustment. But Buchanan's logic is flawed. You can't say trade is a global problem and then posit domestic solutions. You have to find global solutions."



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Wisconsin may Many managers to lose their jobs build separate freight railway

By Charles Batchelor. Transport Correspondent

Wisconsin Central Transportation, the new US owner of British Rail's heavy haul freight operations, may build its own freight railway lines in Britain if Railtrack, the company responsible for the track network, is not willing to devote resources to freight

operations. We would talk to Railtrack about building our own sections of freight-only track," Mr Ed Burkhardt, Wisconsin president and chief executive, said at the formal handover of BR's Trainload Freight business, which Wisconsin bought for

Mr Burkhardt said he was "not sure" there was sufficient incentive in the privatised railway structure for Railtrack to invest in freight services, which account for 10 per cent of the revenues generated by

passenger traffic. Wisconsin and BR said they did not expect the discovery of alleged "procedural irregularities" at Trainload Freight, two senior managers on the eve of the sale, to affect the transfer. BR is carrying out an inquiry into the way spending of up to £500,000 had beeo classified in the accounts. Wiscon-

sin plans to invest heavily in new locomotives - it will need up to 200 at a cost of £200m to £250m over the next five years - and is considering cutting

the workforce. Mr Burkhardt hinted at the prospect of tough negotiations between Wisconsin and Railtrack over the level of access fees charged by Railtrack for allowing freight trains on the network. The split of track ownersbip from train operations was unlikely to be satisfactory in the long term, according to Wisconsin.

We would expect Railtrack to act commercially, but the split of track ownership from operations means there could be problems when you want to build a siding," said Mr Burk-hardt. "We think we will get there, but there could be a few rocks on the way."

Wisconsin expects to pay 30 per cent of its UK revenues to Railtrack in the form of access charges, a higher parcentage than it devotes to maintaining its 4.500km rail network in the US, be added.

The US company has no plans to acquire a shareholding in Railtrack, which is due to be floated on the London stock market in May, but it intends to use the run-np to flotation to negotiate lower access charges for freight trains.

Big cuts in staff numbers and a thorough shake up of working practices at British Rail's heavy haul freight operations are promised by the new US owner of the business

Wisconsin Central Transportation employs 1.800 people in the US, including 500 managing the rail infrastructure which in the UK is the responsibility of Railtrack. Trainload Freight, which runs an operation similar in size in the UK,

employs 7,500 people.

Mr Ed Burkhardt, the president and chief executive of Wisconsin, said that big reductions in managers, clerical and manual staff were likely. Companies shipping goods

by rail and those looking to develop rail shipments as an alternative to road are hoping that the Wisconsin team will bring a new focus to an operation which has long been the Cinderella of the rail network. Wisconsin was set up by Mr Burkhardt in 1987 after deregulation of the US rail network allowed the disposal of rail assets - without the crippling job protection regula-tions which had held back

profits and productivity. Mr Burkhardt, 57, has spent his working life on the railway. He studied industrial management and transport at Yale before joining the Wabash Railroad in indiana. He then moved to Chicago & North Western where he spent 20

Based in Rosemont, Illinois. Wisconsin runs 4,500km of freight network in the US and



Taking control: Ed Burkhardt (left) with John Welsby, the BR chairman, on a Loadhaul locomotive

vice. "We have demonstrated

in our railway operations in

has bought rail operations in Canada and New Zealand. It made a profit of \$37m on turnover of \$211m in 1994.

Wisconsin persuaded the British government to reverse a decision to split BR's beavy freight operations into three separate companies and has acquired all of them, with a combined turnover of £559m. It believes it can reverse the decline of rail transport - now down to just 6 per cent of the freight market in the UK - by

improving the quality of ser-

the US, New Zealand and Canada that we can move rail traffic upward after a period of long-term decline," said Mr Burkhardt. Wisconsin has tripled its freight volumes in the US in the nine years since it was set up and has raised volumes by 10 to 12 per cent a year since it acquired New Zealand Rail in 1993.

Wisconsin has denied that its accident rate is too high. In reply to reports that 20 people

had been killed in the past two years in incidents involving Wisconsin trains, the company said the safety figures were "skewed" because much of its work involved shunting in congested yards and because they included "minor" acci-

The British Department of Transport dismissed suggestions that the company's acci-dent rate was three times higher than the average for comparable US railway compa-

London Stock Exchange 'Seaq is like an old comfortable jacket, but one day it's going to wear out'

Investors and brokers say reforms are unnecessary

By George Graham

The London Stock Exchange is coming under increasing pressure from investors and brokers to pull back from plans to introduce orderdriven electronic trading alongside the current marketmaking system.

A broad range of insurance companies and pension fund managers, as well as some marketmaking investment banks and private client stockbrokers, have all told the exchange that they see no need to change the

ERITREA is rising from the ashes of war am

destruction, and has entered a new ara of

tion - Is a blessing, possessing many good resource bases in agriculture, fisheries and

nines and a coast fine 1200 Kms, with over

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perent as the correct road for the

peace and tranquility, ERITREA a small

system, "First indications are that the majority of our membership firmly hold the view that neither they nor their clients believe that the quote-driven system of trading in London needs a fundamental reform," said the Association of Private Client Investment Managers and Stockbrokers.

"I don't think they have demonstrated that the change they have outlined would actually improve things, said one institutional fund manager. The stock exchange tried to win over the investment community at a

meeting hosted by National Westmin-

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failed to sway many fund managers. Some UK and international investment banks, which have spent heavily to buy marketmakers, have been reluctant to oppose order-driven trading openly but are clearly relieved to have investor opinion on their side. But other stockbrokers are less happy about the groundswell of opinion run-

ster bank earlier this month, but

There are some backwoodsmen in the industry," said one. In the current system, marketmakers list the prices

order-driven trading.

ning against swift introduction of

sell shares on the stock exchange's Seaq screen, but deals are actually strock over the telephone.

With the introduction of the exchange's new Sequence 6 technology this year, it will become possible not only to quote prices but also to carry out trades electronically. That opens the way for one investor's buy order to be matched antomatically with another investor's sell order, sidestepping the marketmakers entirely. In a consultation document issued to member firms and Investors

at which they are willing to buy or in January, the stock exchange invited comments on how order matching should be introduced.

Should it be used for the most, or least, liquid stocks? Should the order and quote systems be linked? Should investors who negotiate a large block trade be required to meet smaller orders at the same price?

Many replies took issue with the assumption that order matching should be introduced. But one senior marketmaker warned: "Seag is like an old comfortable jacket. But one day,

Former chief breaks silence over dismissal

By James Blitz at Westminster

For several weeks Mr Michael Lawrence, former chief executive of the London Stock Exchange, has stayed silent about the events which led to his departure from office in January. But in written evi-dence to the House of Commons Treasury committee be goes into detail. He strongly implies that be was sacked because of the determination of leading marketmakers to

reassert their influence. In the immediate aftermath of Mr Lawrence's dismissal Mr John Kemp-Welch, the exchange chairman, said that the chief executive had been removed from the post after losing the confidence of members. But Mr Lawrence says that there are "obvious inconsistencies" in the position taken by Mr Kemp-Welch. In a clear reference to marketmakers, he claims to have been seen "as an impediment to a return to the previous mechanisms of detailed control of the exchange by some of its mem-

Mr Lawrence's account starts last autumn, when he says that the reforms be was implementing were fully backed by Mr Kemp-Welch and the exchange's leading figures. At the heart of the reforms was the development of a hybrid trading system, combining marketmaking with an "orderdriven" alternative which would allow brokers to place on screen offers to buy and sell only those blocks of shares they want to trade at that

The reforms were opposed by marketmaking institutions, who feared that the new systems would undermine their position. But as late as November, Mr Lawrence says, the chairman "assured me of bls support for the trading reforms". The board, in spite of lobbying by institutions, "fully supported the proposals".

Ha adds: "I received no warnenjoy their support, although we were all aware of the opposition of certain market makers." At this stage marketmaking institutions with most to lose from the new arrangements started to voice their concerns more forcefully,

Big marketmakers were considering leaving the London Stock Exchange and setting np their own trading organisation before the firing of Mr Michael Lawrence as the exchange's chief executive in January, said a senior market-maker. Sir Nicholas Red-mayne, the chief executive of Kleinwort Benson, told the House of Commons Treasury committee that some marketmakers had considered breaking away and trading either through Renters or through their own dealing organisation. "There was a danger, but only a danger, that the whole thing could break apart," he

First the exchange's board met and marketmakers were offered "significant representation" on a subcommittee which had been convened to steer through the trading changes.

Immediately after Christmas Mr Kemp-Welch told Mr Lawrence that he had decided to hold a meating "to let the board know of the concerns of member firms" about the issue.

Mr Lawrence does not make any reference to the particular series of events which may then have triggered his departure. But a senior source connected with the affair bas pointed out that there was a strong correlation between those board members who exercise an influence over appointments and the marketmakers who might most suffer from the reforms.

According to Mr Lawrence the climax to events came at the start of January, shortly before another meeting of the board. He says that just before the meeting Mr Kemp-Welch and other exchange officials "advised me that I had lost the board's confidence" and that the purpose of the meeting was to secure my removal from office".

Mr Lawrence adds: "He [Mr Kemp-Welch] stated that he had talked to each board meming at any time that I dld not ber the previous day, excluding the executive directors who had not been consulted, and they would support bis demand for my resignation or dismissa)."

Editorial Comment, Page 17;

Sinn Féin seeks to 'rebuild peace'

British government officials will today meet Sinn Figure representatives for the first time since the Irish Republican Army abandoned its ceasefire amid signs of progress in the Northern Ireland peace process. As tens of thousands of people marched for peace in towns across Ireland, Mr Martin McGuinness, who will head the Sinn Féin delegation, said the purpose of the discussions was to "examine how the perprocess can be rebuilt".

The British prime minister's commitment to keep the peace process above the daily battle between the main political parties also received a boost yesterday when Mr Jack Straw the opposition Labour party's shadow home secretary, who said he was recommending that Labour ahould not woter against the Prevention of Terrorism Act for the first time in

There was also an indication of a rapprochement between Mr John Hume, leader of the constitutional nationalist Social Democratic and Labour party, and Mr David Trimble, leader of the Ulster Unionist party, the largest pro-British party in Northern Ireland. Mr Hume, speaking on BBC Television, gave muted support for Northern Ireland elections as a precursor to all-party talks.

Robert Peston at Westminster and John Murray-Brown in Dublic.

Ernst & Young defends criticism

The senior partner of one of the Big Six accountancy firms yesterday defended its outspoken attack on the the Account ing Standards Board, UK'a leading standard-setter, and accused the rest of the profession of not wanting "to rock the boat" on important issues. Ernst & Young, in a paper circulated to chairmen and finance directors at hundreds of leading companies, had said accounting as a financial language was in danger of being taken over by academic theorists who used the UK economy as a "test-bed".

Mr Nick Land, senior partner at Ernst & Young, said the

firm'a criticism of the ASB under Sid David Tweedie was "heartfelt" and rejected suggestions that it was a marketing ploy. Sir David, speaking in one of the profession's leading magazines, dismissed Ernst & Young'a critique as having "all the vision of a mole and the eloquence of a whoopee cushion" Other members of the Big Six have joined the debate. Mr Ian

Brindle, senior partner of Price Waterhouse and a member of the ASB, said: "This is a cheap publicity gimmick. What the hell are Ernst & Young up to? They should be ashamed of themselves."

Jim Kelly, Accountancy Correspondent

Fraudster aims to repay

Mr Peter Clowes, the convicted fraudster released on Thursday after serving four years of a 10-year prison sentence, said he would work to repay investors who lost £16m (\$24.6m) in

Mr Clowes said his "number one aim" was to pay back money still owing to former investors. "Investors have not had their full money back, but I am going to see that they are going to get what they're owed, with interest," he said. It would be "inappropriate" to explain how this would be done, he added, Mr Clowes, who headed the Barlow Clowes empire before its collapse in 1988, said he would seek to clear his name in the courts and threatened to sue the Serious Fraud

The UK Treasury is trying to recover some of the lost money by serving a writ on Mrs Pamela Clowes, Mr Clowes' wife. The Treasury said: "The writ is in line with the government's overall policy to recover as much as possible from the Barlow Richard Donkin and Graham Bowley

Feelgood factor 'remains elusive'

The feelgood factor will remain elusive this year even if the chancellor cuts interest rates again, Coopers & Lybrand, the accountancy and consultancy firm, warns today. The firm casts doubt on the government's forecast that the economy will grow rapidly in 1996 underpinned by strong consumption. Its latest UK Economic Outlook warns that businesses cannot rely on a recovery in consumer confidence back to pre-reces-

Ms Rosemary Radcliffe, bead of economics at Coopers & Lybrand, said there would be no recovery in bouse prices while structural shifts in the jobs market towards more short-term, part-time working meant consumers would remain cautious. She said GDP would grow by 2 per cent this year in contrast to Treasury expectations of 3 per cent growth.

"If the French and German slowdowns turn into recession, which cannot be ruled out, even our central scenario of a modest 2 per cent UK growth rate may prove optimistic," she Graham Bowley, Economics Staff

Scottish investors fear tax rise

Scottish financial institutions are pressing the opposition Labour party to address fears that potentially higher taxes on investments after devolution could scare off investors. The realisation that the party's plans for a devolved Scottish parliament with tax-raising powers could result in dividends being more heavily taxed in Scotland than England has alarmed the Scottish financial community.

Under Labour's plans for Scotland, tax on income could be levied up to 3 per cent higher in Scotland than in England. Because dividends are taxed at source this may mean that investors, either in Scotland or elsewhere, could face a heavier tax burden on Scottish investments. Mr George Robertson, Labour's spokesman on Scotland, acknowledged the potential problem, but said the party was in close talks with Scotland's financial community.

James Harding, Westminster

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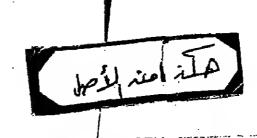


ing the high standards required by the international market; encouraging participation in regional, bilateral and multilateral trade and

graphic the private sector to play a

leading role in both domestic and external markets with minimal ion of the govern

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Michael Emerson, formerly the European Commission's top Moscow diplomat, is the target of an anti-fraud inquiry in Brussels.

His accuser is a retired Nato airman-turned-author who says that he is worried about KGB reprisals. The lady in the middle is a tall Russian called Elena. She is married to the American but appears to have divided allegiances. Elena is also on the European Commission

Let us be clear. Emerson, 55, is a career diplomat of 23 years' standing with a glittering reputation as

He helped launch the European monetary system in early 1977, working for Roy Jenkins, then the Commission's president

Colleagues dascribe Emerson, Oxford and Harvard-educated, as an unworldly, monk-like figure. Any interest in money is cerebral only. That he is involved in impropriety defies belief.

The allegation is that he abused

Taciturn diplomat in Russian thriller

his position as ambassador to set up a private husiness with a St Petersburg businessman by the

name of live Baskin. Emerson rejects any suggestion of misconduct. He told Commission investigators his contacts with Baskin involved only the possibility of setting up a future consultancy. At no point was he touting for busi-

We will know shortly whether the Emerson affair is Greek tragedy or a cheap thriller ending in a verdict of innocence.

Just now, the only positive result of moch negative press coverage is that it has highlighted an obscure, hugely expensive EU aid programme known as Tacis.

Between 1991 and 1995, the EU committed Ecus 2.2bn (£1.8bn) to Tacis is the ugly acronym for the Tacis. During the next four years, it EU's programme of technical assiswill provide a further Ecus 2.2bn. tance to the former Soviet Union. intended to promote its transition That makes Tacis one of the big-

DATELINE

Brussels:

an anti-fraud

investigation has

highlighted an

obscure, expensive

EU aid programme

called Tacis, writes

Lionel Barber

to a market economy.

EU's faltering progress toward a

common foreign policy.
When EU leaders agreed to launch Tacis in December 1990, the idea was to encourage the reform movement led by Mikhail Gorbachev. Within six weeks, the programme was put on ice after Moscow's hloody crackdown in

By the time Tacks funds started flowing again, Gorbachev was on his way out and the Soviet Union was ahont to break up. A programme designed for a centrally-run Soviet Union suddenly found itself without a client.

Tacis was a good idea, but five years too late. The programme suffered, too, because the memher states failed to match big ideas with adequate resources.

The Delors Commission was also gest multilateral aid programmes of the Delors Commission was also its kind. It is a case study for the at fault. It was so anxious to seize a role in foreign policy that it took charge of a multi-billion dollar aid programme with a handful of staff, most of whom were close to a nervous hreakdown after the first six

> Tacis's crash-start in 1991-93 ensured that millions of dollars were wasted. Money flowed to feaslhility studies for projects which never actually materialised. Russian administrators took part in the programme one day and disappeared the next. Often they saw more profit in becoming capitalists

> Yet Tacis also provided vital support for the nuts and bolts of a market economy, using carefully selected western consultants.

Useful causes include privatisation, banking liberalisation, envi-

ronmental aid, reform of the civil service and the retraining of

nuclear rocket scientists Critics say that Tacis money has been spread too thinly, notably in Russia. But Tacis has had better results in the war-torn Cancasus

where local administrations have been more willing to accept foreign The EU has single-handedly led

the policy of privatisation in Armenia, Azerbaijan and Georgia," says one official. The most serious charge against

Tacis is that it is slow-moving and top-heavy. The Commission has started to be more flexible about how money is spent, releasing money more quickly for smaller projects at the "retail" level in the

Yet the laborious vetting procedures instigated by Brussels for

supervising larger projects are intended to prevent fixed, and to ensure that funds are directed in the consultants providing the know-how.

No Tacis money passes directly to Russians, Armenians, Ukrainians or any other locals - unless of course, they happen to run a con-

Which brings us back to Michael Emerson. After more than five vears in Moscow, he might have expected a big promotion. But his path was blocked because all top jobs in the Commission are killed out according to national quotas or

"flags". He also lodged a request for early retirement, taking advantage of the generous Article 50 provision used to ease out non-performers, but was rejected on cost grounds.

In these frustrating circumstances, it is hardly surprising that the buttoned-up bureaucrat decided It was time to take a risk. We will watch his progress in the Wild East with interest.

PEOPLE

Murdoch's news dynasty

The media mogul's children have high aspirations, writes Alice Rawsthorn

Buddenbrooks theory of corporate dynasties, whereby a dynamic entrepreneur creates a successful company only for it to be eroded by the incompetence of future generations, it was Rupert

As a schoolboy he was wont to sneak away from Geelong Grammar, his snooty Australian private school, to bet on local horse races, and as a university student he placed a bust of Lenin on his mantlepiece. There was little evidence that he was an ideal candidate to inherit the Australian newspaper empire founded by his father, the redoubtable Sir Keith Murdoch.

Rupert Murdoch, who inherited that business at 21, has since turned It into News Corporation, one of the world's most powerful media empires with revenue of A\$12.2bn (£5.9bn) last year. More, he seems set on defying the Buddenbrooks theory again by encouraging his own children to succeed him. His eldest son, Lachlan, 24, is deputy chief executive of News Corp in Australia, and last week Murdoch appointed his daughter, Elisabeth, 27, to a senior post at BSkyB, his UK satellite TV operation.

Neither of Murdoch's other children works for the family firm. Pru-dence, 39, the only child of his first marriage, to Patricia Booker, a former air hostess, shows no inclination to do so. James, 22, third child of his second marriage, to Anna Tory, whom be met in the 1960s when she interviewed him - she was a bright young editor on one of his Australian newspapers - may

decide to join, but is busy with his own record business in New York. It takes little imagination to see why Prudence might have chosen to drop out of the running. The pros-

f anyone seemed set to prove the pect of one of Rupert Murdoch's children bidding to become a media mogul seems just as intimidating as It would be for a child of Bill Gates

to go into computer programming. At best, they will be hard pressed to match their father's achievements. At worst, they may end up like John Lennon's son, Julian, whose bid for rock stardom only yielded a couple of hit records, or like Rocco Forte, who had to tell his father that Granada had taken over the family firm.

Neither Elisabeth, Lachlan nor James seems short on ambition. Lachlan has admitted in an interview that because of his relationship with his father he felt an overwhelming need to prove himself. Even James has changed his mind about working for News Corp. "I guess I will always be involved," he has said, "it is the family business." Elisabeth seems the most opeuly

ambitious. The Murdochs are a family of strong women. Elisabeth was named after her octagenarian grandmother, as formidable a figure as the late Sir Keith. Anna Torv gave up her career to look after the children, then studied for a degree and published a novel rather than risk becoming "a whining wife". Elisabeth once said she did not see how she and her brothers "couldn't be ambitious - being relatively sane normal people", adding that Lach-lan's promotion "does make me feel like I have to hurry up".

She and her hrothers were environment. Although Rupert Murdoch clearly was - and remains - besotted by Anna, he spent most of their New York honeymoon locked in meetings.

All three siblings did well aca-

demically, and graduated from prestigious US universities: Elisabeth



Siblings take centre stage: Elisabeth and Lachlan Murdoch

from Vassar, Lachlan from Princeton, James from Harvard.

Elisabeth went straight into television and in 1994 bought two Californian television stations affiliated to her father's Fox network with her husband. Elkin Pianim, whom she met while at Vassar. They bought the stations with a \$35m oan from her father and sold them after little more than a year, emerging with a \$12m profit and a reputation as ruthless cost cutters.

Lachlan worked at various Murdoch papers after Princeton, including The Times, where a journalist who took him to the pub was telephoned there and warned: "What-

ever you do, don't get him pissed." Lachlan saved him the trouble by ordering orange juice. He has since moved back to Australia where he played an important role in last year's negotiations to form News Corp's rugby "super league" and late last year was appointed to the News Corp executive committee.

their father's youthful rebeiliousness, but he too now seems reconciled to a career with News Corp. His sister, Elisabeth, clearly rates him highly and recently suggested that the Murdochs' would-be music mogul may prove to be "brighter than all of us".



Dingman launches paper bag raid from Czech base

Bahamas-based investor Michael Dingman's purchase of a controlling stake in Russia's largest paper bag maker last week is just the kind of bold, hands-on foreign investment Russia needs to get its monster, Soviet-era industrial plants back to

work, Anthony Robinson writes. But it is precisely the kind of investment which most potential investors in Russia are currently loath to make. Instead, they sit nervously on the sidelines awaiting the outcome of the presidential elections in June, muttering about it all being "too risky."

Yet 64-year-old Dingman takes the view that investing in eastern Europe is a lot less risky than putting money in US stocks, with the Dow Jones average hovering around the 5,600 mark. His way is to tackle the former Soviet market from a strong base in the Czech Republic, and forge links between cash-strapped, marketing-weak companies in industries such as paper, glass and oil. He created his Czech base last

October when he invested more than \$250m (£162m) buying controlling stakes in eight Czech companies. His advisers were two ambitious young men in their thirties: Viktor Kozeny, the 32-year-old "father" of Czech investment funds, another Bahamas resident, and Daniel Arbess, a Prague-based Canadian lawyer who is now a partner in the Stratton Group, Dingman's eastern

investment vehicle. Dingman, former chairman of Allied Signal, the US conglomerate, and still chairman of Fisher Scientific International, made his fortune as "an asset and cash-flow driven investor", specialising in turnarounds. His trademark has been to spot under-valued assets and inject financial, technical and marketing skills.

His experience in industry has given him an incredible capacity to pick exactly the right guy to do the specific jobs required to turn companies around," Arbess said last week, en route from Segezha, north-east of St Petersburg, where he met the 8,000 employees of what is now the Stratton-controlled paper bag plant. Among the entourage was Lou Ross, former chief operating officer of Ford, who is also on the Stratton team.

Dingman believes there is sky-high potential in the former Soviet Union, where enterprises are typically huge, starved of working capital and hopeless at marketing. But his belief in synergy will not only be tested in Russia

Last month he signed an oil and gas exploration deal with the Emirates state of Ras-al-Khaimah. which is believed to have reserve: of about 400m barrels of oil and 1.2bn cu feet of gas. Viktor Kozeny, who suggested that Dingman include oil drilling equipment maker Moravske Neftove Doly among his Czech purchases, is a director of the company set up to look for the hydrocarbons. Moravske will supply much of the equipment.

Fulford eyes RJR Nabisco

RJ Reynolds Tobacco is Imperial Tobacco "in spades," says Ron Fulford, the man who wants to get his hands on the cigarette business of RJR Nabisco, the US company \$26bn leveraged buyout seven years ago, writes Roderick Oram. Fulford took a step towards his goal last week by resigning as

executive chairman of Imperial, one of the UK's largest cigarette makers and a subsidiary of Hanson, the fragmenting conglomerate.

In nine years at imperial, he turned the troubled company into the lowest cost cigarette maker in Europe with an operating profit margin a handsome 45 per cent of sales. He quit to throw in his lotwith Bennett LeBow and Carl Icahn, the US corporate raiders trying to force a break up of RJR Nabisco. If they succeed, Fulford will become RJ Reynolds Tobacco's chief executive.

LeBow and Fulford will tour US institutional shareholders of RJR Nabisco outlining plans for the company. Fulford, one of Hanson's most respected turnround specialists with British Ever Ready, the battery maker, and London Brick to his credit, believes the Reynolds tobacco business is ripe for treatment.

Reynolds plants were among the 45 he and colleagues visited around world when they sought ideas for revitalising Imperial. He revisited several years ago when revamping Imperial's sales and marketing.

He believes Reynolds' problems started when Kohlberg Kravis Roberts, the US leveraged huyout firm, "paid too much" for RJR Nabsico. KER thought Reynolds could continue to raise its cigarette prices much faster than inflation. But not in the subsequent vicious US price war. One cause of the war was Reynolds' introduction of scores of own-label products. Proliferation of products,

indifferent senior management and a weakening market position were other problems at Imperial, Fulford simplified the product portfolio, delegated responsibility and gave people financial incentives. That allowed senior managers to focus on strategy. Imperial is now poised to take UK market leadership from Gallaher, the American Brands

in the second

subsidiary. "Reynolds is a rather larger version of Imperial," Fulford says. ... He expects to find all the manager. . he needs within the company. The higger the company, the deeper the talent pool, he says. Reynolds is about six times the size of Imperial. But before he can fish that pool

he and his new colleagues have to convince RJT Nabisco's sbareholders that they deserve the chance. Even in a country hot on shareholder value, it is a long shot.

CONTRACTS & TENDERS

REPUBLIC OF ALBANIA

Prot. No. Tirana, on 26/2/1996 INVITATION FOR BIDS

 The Ministry of the Interior has received a budgetary fund from the Albanian Government in an amount of 23,160,000 leke (twenty three million and one bundred and sixty thousand) and it is intended that this fund will be applied to perform the purchasing of cloths, raw materials, to be used for the se

The Ministry of the Interior invites scaled bids to participate in an Intersational Ald for the supply of Poplin for police shirts, waterproof cloth, cloth for men's

Delivery period not more than 60 days. A complete set of Bidding Documents may be obtained at:

Ministry of the Interior Tel: 268 01/32 98

non refundable fee of USO 30 cash or by banker transfer, to the account no

bear the cost of consignment of the Set of Hidding Documents, to the final address, by DRL Courier Service. Interested eligible bidders may obtain further information at the office of:

Directory of Economic Affairs Tel: 268 - 61 / 33 58, Tel/Fax: 283 48 & Fax 336 07 6. All bids must be submitted to the Ministry of the Interior on or before 10/4/1996 12.00 midday, when the bids will be opened in public and in the presence of bidder's representatives who choose to attend bids opening date.

If a Bidder withdraws its bid after the opening date, or fails to sign the contract after having been notified as a successful bidder, then the Bidder Security will be

7. Bidders may submit a bid covering one or more of the above

Head of Bids Evaluation Commit

The Financial Times plans to publish a Survey on Credit Management

on Tuesday, March 5th

Tel: 0171 873 3349 Fax: 0171 873 3064

Ministry of the Interior

In their more sanctimonious

argued that this is true of their monthly meetings to determine UK matches or sumo wrestling bouts. Unique among leading industrial countries, monetary policy forma-tion in Britain is dominated by an between two heavyweight protago-nists. Clarke, the chancellor (or finance minister), may bave the last say on interest rates, but George, the central bank governor, has enough clout with the markets to make his opposite number think twice before ignoring his advice.

control over interest rates is vested tral bank governor sets rates perdo the job collectively. But under

Norway is one of the few remainin any public debate over policy.

show" makes better entertainment than monetary policy setting in most other countries. Like sumo, it keeps the audience's interest because each fighter is capable of giving the other a tremendous



moments, politicians like to complain that the media concentrate too much on their personalities and not enough on their policies. Kenneth Clarke and Eddie George have interest rates, which commentators persist in treating as tennis But personalities do matter. ongoing semi-public debate

This is a curious half-way bouse. In most leading economies formal explicitly in the central bank. In Canada, Italy and Ireland, the censonally. In Germany and the US. special policy-making committees neither model does the finance ministry have a formal role.

ing examples of a leading economy in which the finance minister still sets interest rates. But the central bank there gives its advice in private, which gives it little influence This is why the "Ken and Eddie

Robert Chote · Economics Notebook Personality has a role in policy

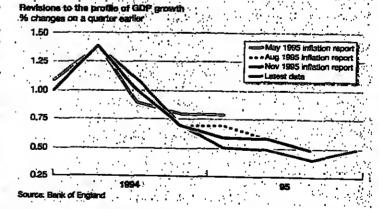
> shove, leaving the result of each Lower growth clinches Ken's case monthly encounter in doubt. The discussions derive further dramatic tension from the fact that the chancellor and the governor are both personally responsible for the positions adopted by the organisations they head. Although both receive advice from a phalanx of

advisers, neither can deflect responsibility on to them. The Ken and Eddie show also has a high public profile - relative to most of its overseas equivalents because the minutes of their monthly meetings are published with a six-week lag. Journalists and economists can therefore pick over these documents, searching out any differences of nuance. The personalisation of the mone-

tary policy process in Britain Is therefore, a malevolent work of the press. It is an inevitable consequence of the way the mechanism has been set up. In the setting of interest rates the Bank is neither independent from, nor wholly subservient to, the chancellor. Hence the potential for tension between the two - and the desire of the press and the City to spiff it out. But does the personalisation of policy setting in the UK prevent the process working efficiently? Even though Clarke and George have complained about the way their meetings are treated by the media, the evidence suggests not Whatever one thinks about their politics or prowess as economic technicians, both men seem psychologically well-suited to this sort

of policy-making system. Neither is the sort to bear a grudge. The chancellor and the governor are similar characters in that neither is inclined to go off in a sulk if the other wins the day.

heavyweights, carries risks alongside its superficial entertainment value



They can agree to disagree and return a month later prepared to review the new situation afresh. One can imagine past chancellors and governors - and perhaps future chancellors and governors who would find it more difficult to let bygones be bygones. If either man let past defeats colour his judgements then the system would probably be a lot less stable. Another point in Ken'a and

Eddie's favour is that neither feels much need to be liked, leaving them relatively unconcerned by the instant reaction to their decisions. Both are also decisive, so there is usually no dithering or delay. These attributes have served the

framework well, but one might argue that neither the system nor its protagonists has yet been put properly to the test. Their debates so far have in essence boiled down to assessments of demand: how quickly is the economy growing and how quickly can it be allowed to given the extent of spare capacity? The debates have therefore, as the governor likes to point ont, been "narrow" and "technical".

Things might be different in the event of a "supply shock" such as a rise in oil prices, which could leave the economy suffering inflationary pressure and weak economic activity simultaneously. In that event there would be a more fundamental and politically contentione dilemma about which problem policy should primarily aim to solve.

Another test would come if interest rate and budgetary policy became misaligued. Imagine that the chancellor was loosening hudgetary policy to protect activity and employment, in the process fuelling inflation. Meanwhile the governor might be demanding increases in interest rates to combat inflation, thereby slowing activity. The policy mix could easily unravel as each tried to outbid the other - a danger which would be all the greater if the Bank were given formal independence.

Britain's celebrated monthly "Ken and Eddie" show, a semi-public debate between two Whether these problems arise or not, the monetary policy framework is in for a testing time. Over the past year the financial markets have by and large given the chan-cellor the benefit of the doubt in his discussions with the governor and the downward revisions to official estimates of growth and the Bank's forecasts of inflation suggest they were right to do so. But. as the election approaches, the

markets may switch their allegiance back more to George. In the longer term, the monetary policy framework will also have to survive a change of cast. Shadow chancellor Gordon Brown is likely to replace Clarke if Labour wins the election, with party leader Tony Blair looking carefully over his shoulder. On the other side of the table, the governor'e contract comes np for renewal in 1998. This raises several possibilities: George could serve a second term, he could be replaced by an internal candidate (probably chisf economist Mervyn King or deputy governor Howard Davies) or an outside candidate might emerge.

Under some of the permutations which these changes might throw up, the chemistry between chancellor and govarnor would probably work very well. Under others, however, it might very well not.

Brown has suggested depersonalising monetary policy by creating an eight-person committee to for-mulate the Bank's advice. But making the members of this committee appear accountable will not be easy, so the two-man sumo bout might drag on for a good while yet. If it does, the character traits of the players are likely to prove just as important as their prowess in eco-



LEGAL DEFINITIONS

Fort n. 1 an upmarket pastry case containing lemon, jam etc. (aurib) BBC English 2 a civil wrong other than under contract or equity, see ROWE & MAW: asap (ph 0171-248 4282)

Rowe & Maw LAWYERS FOR BUSINESS **FINANCIAL TIMES**

COMPANIES & MARKETS

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Deep job cuts have become the biggest Wall Street fad of all, a trend that reached a

announcement by AT&T, the long-distance telephone company, that it was shedding 40.000 jobs. AT&T's announcement has

become a hot political issue in the race for

Monday February 26 1996

Heineken poised for Moretti acquisition

largest brewer in Italy through its purchase shortly of Moretti from Interbrew, the Belgium brewer of Stella Artois.

\$150m-\$175m, will be a further step in the rapid consolidation of European brewers struggling with stagnant demand, over-capacity and competition from a plethora of small compa-

national brewers to complement the international development of its own lager, the most global of beer brands.

iary to Heineken for an undisclosed

The subsidiary, with capacity of some 700,000 bectolitres a year, brewing Stalla Artois and Classica von Wunster, had suffered a halving of its market share to about 5 per cent over

on French Diamond deal heralds a

share trade retreat from the abyss

the most durable cartel

in recent history has

passed. This time last week. De

Beers, the South African group

which for 60 years has organ-

ised the cartel of rough, or

uncut, diamond producers, was

ready to see it ripped apart by

the departure of Russia, one its

De Beers was willing to take

the chance that a price war

might break out, rather than

have its London based Central

Selling Organisation (CSO)

sign another worthless con-tract with Russia.

But, to the relief of the dia-

mond industry, Mr Nicky Oppenheimer, deputy chair-

man of De Beers, on Friday

signed a "memorandum of gen

eral principles", which will govern the future relationship between the Russian diamond

industry and De Beers. As soon

as possible, these principles will be expanded into a formal

three-year trade contract with

Almazy Rossii-Sakha, Russia's biggest diamond producer, and

leave De Beers as "the sole and

exclusive buyer of all rough

slans has given De Beers a

great deal of aggravation for at least two years," Said one

industry observer. "But the

Russians have gone to the edge of the abyss, looked over the

edge and did not like what

they saw. The prospect of

immediately losing the \$100m of income a month from the

CSO concentrated Russian

As a honus for De Beers.

even as the final, tense negoti-

ations were going on, Mr Yev-

geny Bychkov, the most power-

ful man in the Russian

diamond industry and for

"The contract with the Rus-

diamond exports".

most important members.

The company was attractive to Heineken, however, for its distribu-tion network in northern Italy and

tently regained an Italian foothold in the form of Moretti when Interbrew bought its parent, John Lahatt, the Canadian brewer, for C\$2.7bn (US\$1.97bn).

incurred in the Labett deal, said yesterday they could not comment on the

"Heineken taking markst leadership will put pressure on Danone," one London analyst said. The French group's commitment to Peroni was

Despite difficulties in the past few years, the Italian market appears to have good growth potential unlike stagnant markets in northern Europe. Wine drinkers by custom, the Italians are switching slowly to beer, which accounts for only 15 per cent of their alcohol consumed against more than 50 per cent for the Germans, British and Belgians.

Italian beer consumption is running at about 25 litres a bead per year, the lowest in Europe, against Germany, the leading nation, at 138 litres a head. The British rank fifth in the league of European consumption, at 100 litres a head, and the Dutch sixth

under renewed scrutiny. When the global concept was launched in 1989 it promised much, but recent deals have failed to live up to the expectations of investors. EQUITIES:

bond, expected this week, has brought the "global" concept

TONY JACKSON

GLOBAL INVESTOR

probable peak with the recent

the US presidency, but it is in manufacturing, rather than

telecommunications, that the dangers of the job cutting -

and of Wall Street's appetite for it - are greatest, Page 22

Tha Inter-American Development Bank'a maiden global

The London market will be absorbed today with the government's fortunes in the debate on the Scott report on arms for Iraq. Economic data in the US will dominate proceedings, with figures on retail sales, the consumer price index and the producer price index all due. Page 23

M EMERGING MARKETS: The turmoil in South Africa amid the collapse of the rand

has injected new fervour into the perennial debate over the future of exchange controls - which the reserve bank and the government have pledged to abolish. Page 23

The starting point for the dollar this week will be the

feedback from the first meeting, held last Friday, between President Bill Clinton and Mr Ryutaro Hashimoto, the

Japanese prime minister. Good relations will help the dollar, while tensions are likely to weigh on it. Page 23 E COMMODITIES: Persistent excessive stock levels in the world zinc market are

likely to cast a shadow over the American Zinc Association's

five-day annual international conference, which began in

Palm Springs yesterday, Page 22

II INTERNATIONAL COMPANIES: Portugal has rejected a Es152bn (\$989m) takeover bid for Banco Fomento e Exterior and opted to seek competing purchase tenders for the state-controlled financial group.

Page 21

Members of the family that founded Umbro, the Manchester-based sportswear manufacturer, are planning to take legal action against its US parent, which is preparing to float Umbro later this year. Page 20

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subject. Analysis are expecting an announcement shortly, bowever. Moretti, with capacity of some 1.1m Earlier this month, for example, it the addition it would make to Hsinbought a 54.4 per cent stake in Fischer Group, France's fourth-largest eken's existing five Italian breweries, hectolitres a year and sales of L300bn which produce about 3.5m hectolitres

when demand is bealthy. De

Beers is at present holding more than \$4.35bn worth of

CSO exclusive rights to the

diamonds it was exporting. De Beers says that contract has

been worthless for two years.

So, when negotiations reached

a hiatus in December and the

Russians wanted the existing

contract to be continued for another year, De Beers refused.

Since then the old contract was

extended a month at a time. De

Beers had decided that if a new

one could not be agreed by March 1, it would bring down

De Beers had two central

gripes. It said the Russians

were flagrantly breaching the

contract by exporting huge

quantities of rough diamonds

without using the CSO. Ana-

lysts suggest well over \$1bn worth "leaked" to the west in

this way in the past 18 months.

build up its domestic diamond

cutting, the locals were given first choice of production, leav-

ing De Beers with the dregs.

Also, as Russla began to

The Russians were not

happy either. They found it

hard to understand that the

CSO alone sets prices. They

felt, as big producers, they

should be involved in that pro-

cess. They also suggested they

could get as much as 35 per cent more for their diamonds

by selling outside the CSO, so

they wanted to increase the

proportion of stones they could

sell independently from the 5

per cent permitted under the

contract for "market testing".

the curtain on the talks.

ive years ago, the Soviet Union formally rejoined

the cartel and gave the

diamonds in CSO stocks.

Heineken is poised to become the

The deal, likely to value Moretti at

For Heineken, the Dutch brewer, the purchase will reinforce its strategy of buying stakes in, or control of.

'n doubt

By Andrew Jack in Paris

The volume of French shares

bought and sold through the

UK market is substantially

lower than claimed by the

London Stock Exchange,

according to an analysis car-ried out by a leading French

Of all the transactions in

French shares which are

quoted on the London system,

just 8 per cent are carried out

through London's Seaq Inter-national (Seaq I) system, with the rest conducted directly

through the Paris bourse, the

That contrasts sharply with

figures published by the Lon-

don stock market authorities,

snggesting that Seaq I accounted for more than 52

The London Stock Exchange

said that Seaq I's figures were

inflated by the fact that each

transaction was recorded twice - for every buy and

every sell operation. It added that it had changed its method

for calculating volumes in Jan-

uary, and the first monthly

figures produced under the

new system would be available aft the end of February.

Le figures, however, throw

doubt on the London statistics

for shares from other EU coun-

tries and provide a further

embarrassing blow to the Lon-

don Stock Exchange and the

City's hopes of remaining a

The London Stock Exchange

has been coming under grow-

ing criticism in the past few

months for the way in which

the statistics it produces exaggerate the importance of Seaq Lits automated quotation sys-

man of UBS UK, resigned from his position on the board of the London exchange last

August, a year before his term expired. He cited his frustra-

tion at its mability to transform itself into a European

exchange and accused it of

relying too beavily on Seaq L. The study cost FFr200,000

(\$39,525) and was funded by

the Société des Bourses Fran-

caises, operator of the French stock market, which commis-

sioned it at the start of last

It was carried out by Mr

Bertrand Jacquillat, an aca-

demic at Paris's Dauphine Uni-

tem launched in 1985. . Mr Rudolf Mueller, chair-

ding financial market.

per cent of such trades.

study shows.

to stemperal in the consistency of the consistency

CAPPERZIE FRIEND CAPPERZIE FRIEND C 2 break up of Em Capper Friend Capper Tolonia Capper Tolonia Capper Tolonia Capper Tolonia

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tare ound

For Interbrew, the sale is its second exit from Italy in a year. Last Febru-

ary, it sold its Interbrew Italia subsid-

the previous few years.

of beer a year. Last summar, Interbrew inadver-

It was thought likely that Interbrew would sell the Italian company, with Heineken seen as the likely buyar. Heineken and Interbrew, which is eager to pay down heavy debt thought to be wavering.

years a thorn in the CSO's hard times and releases them

flesh, was sacked from the

chairmanship of Komdragmet,

or the Committee for Precious

Metals and Stones, by Presi-

Mr Bychkov previously had

been charged with illegal for-

eign currency deals and was

linked with the activities of

Golden ADA, a company set up

in San Francisco in October

1992 by a Russian and two

imported large quantities of rough diamonds from Russia

with the apparent blessing of Moscow. But Komdragmet has

filed a suit in a San Francisco

district court alleging Golden

ADA did not pay for \$150m of

gems and precious metals. The US Internal Revenue Service

has also raided the company

and is claiming \$63m in back taxes and penalties. The Golden ADA flasco must

have helped De Beers, because

It undermined those in Russia,

particularly nationalist politi-

cians, who argued that the

cut and Russia should take

responsibility for its own dia-

Russian producers relied on the diamond cartel from the

time it was set up during the

South Africa and the Soviet

Union were at opposite ends of

the political spectrum. Russian

diamonds made their way to

the CSO via a complex web of

huffer stock manager for pro-

ducers in Angola, Australia,

Botswana, Namibia, Tanzania

and Zaire, as well as Russia

and South Africa, and so con-trols well over half of world

trade in rough diamonds. It

stockpiles rough diamonds in

The CSO acts as a kind of

mond sales in the west.

Armenian brothers.

dent Boris Yeltsin himself.

(\$190m), has about 12 per cent of the Italian market. Its purchase will give

Heineken a total share of more than 40 per cent, about five percentage points ahead of Peroni in which Danone, the French brewer of Kronenbourg, has a minority stake.

UK claim | De Beers went to the brink of a price war to get agreement on Russian exports Keeping the cartel on the road







Russian Inance minister	deputy ch	airmen, De Beers
World diamond supply,	1993 production	
Country	Production (cts.m) (all types) (Gern)	Sales value (Son)
Botanene	74.7 25	1.36
Pussia - newly mined	105 21	0.64
Paleste - from strokple	30.0 4.2	1.82
South Africa	10.3 3.7	1.00
Naturalitie -	2000 (11 600) (375-64) (4	0,46.
Australia	42.1 1.7	0.38
Argola -	. a.o a.t	0.20
Zeire	15.8 0.8.	0.31.
Grant 13	06 01	0.03
Central Africa Republic	0.5 0.3	0.07
US strategic strockpile	1.3 0.4	0.11
Other	11.5 2.9	0.90
Total - never mired	107.9 18.7	5.33
Total as sources	138.2 21.3	7.08

Friday stops the leakage. But the memorandum promises the leakages will stop and was signed by Mr Vladimir Panskov, Russla's minister of finance, rather than by a Kom-

dragmet official De Beers is also promised a good cross-section of Russia's diamond production, instead of what is left once the local cut-

ters have taken their pick. News that Russia is staying in the cartel will be well received in diamond cutting centres, particularly as it comes when sales seem reasonably buoyant. Last year the CSO's sales reached a record \$4.531bn, more than 3 per cent above the previous peak in

however. Terms of the new three-year contract have still to be thrashed out and some observers will not relax until these are known. Meanwhile. Australian pro-

ducers, angered by the way De Beers made selective price increases last year, are threatening to quit the cartel when their present contract expires in the middle of 1996.

Further ahead, two of the world's biggest mining compa-nies, BHP of Australia and RTZ-CRA, the Anglo-Australian group, are to become diamond producers. Whether they will join the cartel remains open to question.

Kenneth Gooding

Scandinavian Airlines System plans to streamline ownership structure

By Christopher Brown-Humes

Scandinavian Airlines System has unveiled plans to simplify its ownership structure - one of the most complex in tha Nordic region - to increase its market visibility at a time of heavy investments in new air-This will mean a significant

ity, and has been approved overhaul of the Swedish, Danby a number of his peers over ish and Norwegian holding the past few months in a pro-cess designed to ensure its rig-our and objectivity. companies which own SAS, but it will not lead to the airline's shares being directly quoted on The study calls the discrepthe stock market. Mr Peter Forsmann, SAS

ancy between the published figures and its own far lower information director, said the streamlining was needed estimates "astounding", while adding that its estimate for because of airline industry trades of French sharas deregulation and the group's through Seaq I of 8 per cent "is of little surprise" to tradbig fleet raplacament proahead of us because we are totally renewing our fleet over the next 10 years," he

"It is in our interest to have a clearer ownership structure, good analysis of our company and as good an access to the capital markats as posa-At the same time, national

sensitivities mean the airlina will not get the single domicile and direct listing that many observers believa it would SAS is three-sevenths owned by the Swedish group Sila, and

two-sevenths each by Denmark's Det Danske Luftfart-skab (DDL) and Det Norska Luttfartselskap (DNL) of Norway. The Swedish, Norwegian and

"Wa have huge investments Danish governments hold 60 per cent of sach respective The streamlining will not

affect this ownership structure nor the division between state and private ownership, but it will force tha threa holding companies to separate their non-SAS activities, harmonise their accounting procedures. and align their capital to the size of their SAS sharehold-

ings. Sila is planning a one-off dividend because it has too much capital, while DDL is planning a rights issue because it has

Mr Forsmann said: "We want SAS to be exposed to the mar-kats as SAS. The changes planned will make it much easier for investors to underreasons SAS'a owners were unwilling to change the company's broader ownership struc-

If the airline had one domi cile, all its tax incoma -SKr750m (\$108m) last year would go to that country, and the two others would get noth-

SAS has already amounce plans to renew a third of its fleet. A year ago, it unvelled a SKr8.5bn order for 35 Boeing 737-600 aircraft with options purchase a further Last week the airline dis-

closed a record SKr2.83bn pretax profit for 1995, up strongly from SKrl.5bn a year earlier, in spite of the impact of strike and a weaker fourth-quarter

BET letter attempts to spike Rentokil's guns in bid battle

By Patrick Harverson

BET, the UK husiness services group facing a hostile £1.8bn (\$2.77bn) bid from Rentokil, bas launched a pre-emptive strike egainst its rival by sending a letter to sharehold ers outlining the improvements BET has made in the past five years.

The letter from Sir Christopher Harding, chairman, is an attempt to diminish the impact of the anvironmental and industrial services group's offer document, which this week will put to BET's sharethe takeover offer.

In the letter, sent over the weekend, BET advises shareholders to reject the "inade quate" offer from Rentokil and details the recovery in

BET says between 1991 and 1994 its total net debt was cut from £712m to a net cash position of £33m and the company "sbarpened its focus" by reducing profit centres from 160 to 55 and concentrating on businesses with the greatest growth potential.

BET's fortunes since 1991.

The letter also outlines BET's profits and dividend record over the past 18 months and notes turnover grew more than 10 per cent in the six months to September 30 1995. Sir Christopher asks share-holders to consider this record when they receive Rentokil's offer document, which is expected to be published tomorrow. Rentokil has offered nine new shares and 800p cash for every 20 BET shares, or a cash alternative of 179%p a share.

The letter is the latest salvo in an increasingly heated bid battle. Last week, BET rejected an unexpected offer from Rentokil to bny just three-quarters of the comp Some analysts saw the approach as an attempt by Rentokil to allay City of Lon-don concern that its bid might be over-ambittous. The conduct of the bid battle

has also incurred the wrath of City regulators. On Friday, the Takeover Panel criticised Lazard Brothers, the merchant bank acting for Rentokil, over its handling of the announce ment of its client's hostile bid

The panel said Lazard had failed to keep it fully informed of Rentokil'a intentions and should bave acted more quickly to prevent a false mar-ket in BET's shares.



When you fly Delta nothing should get in the way of you relaxing. Our flight attendants recognise whether to leave you alone, to let you sleep or to make time for a friendly char. APLINES That's why every passenger who gets off any of the 500 flights to our home town of Atlanta, the venue of the 1996 Olympics, arrives feeling like they can take on the world. You'll love the way we fly

Family that sold Umbro plans lawsuit

By Patrick Harverson

Members of the family that founded Umbro, the Manchester-based sportswear manufacturer, are planning to take legal action against its US parent which is preparing to float Umbro later this year.

Mr Stuart Humphreys and Mr Ben Humphreys - son and grandson respectively of Umbro's founder Mr Harold Humphreys - have instructed their solicitors to prepare proceedings relating to the sale of Umbro to the privately-owned Stooe Manufacturing company of North Carolina in September 1992 for £2.9m.

The two men - wbo owned 37 per cent of Umbro before its a "fair" price for a business that made pre-tax profits of £2.1m ou revenues of £65m in 1992, and which analysts expect to be valued at more than £100m when it goes public this year.

Mr Ben Humphreys points out that Stone bought Umbro for £2.9m only three months after it had made an offer to buy the company for £14.8m.

The Humphreys' solicitor, Mr Stephen Cantor of Boote Edgar Esterkin in Manchester, said on Friday: "I have been instructed by Ben and Stuart to bring proceedings in respect of the losses they say they have suffered as a result of the sale of Umbro for £2.9m." He said that the possibility of filing a lawsuit in the US was

being considered.
Stone Manufacturing would not comment on the allegations yesterday, because, according to Mr Peter Kenyon, Umbro's US-based chief operating officer, all parties to the 1992 sale of the company had

signed confidentiality agree-

However, Mr Kenyon has previously explained that delays in the progress of the takeover resulted in the company's bank announcing it would call in the receivers. He said that the £2.9m offered for Umbro was a fair price at a time when the country was in the grip of a recession and the bank was about to call in its

comes as Umbro is preparing plans for a flotation. The company, which operates in more than 50 countries, is believed to be considering listing the shares in both New York and London. Industry analysts say the flotation could value Umbro - which made 1994 after-tax profits of £4.2m on sales of £75m in the UK alone at anything between £100m

People within the industry believe Umbro is going public because it needs a new source of capital to fund its expansion. The head of e rival sports goods manufacturer said: "l think they have to go public they're strapped for cash. They are not making a great return on their trading, because

and £200m.

they're ploughing everything back into building the brand's

Although dwarfed in the sportswear industry by Nike, Reebok and Adidas, Umbro has a high profile in football. Worldwide, more than 80 professional teams wear Umbro kits - including Manchester United, Ajax of Amsterdam, and Inter Milan - as do several national squads, including England and Brazil.

In the past month alone Umbro has signed two sponsorship deals worth £80m with Manchester United and Everton, and it is also one of the official sponsors of this summer's European football championships in England.

last year. One analyst said: "The mar-ket has become tighter. Gemms are

making money, but it is limited to the big players." Another observer said:

Yamaichi was never very profitable,

and the repo market was probably the

Analysts estimate the market share

of the top seven Gemms stands at about

70 per cent. Analysts say this group is made up of BZW. Goldman Sachs.

HSBC, Lehman Brothers, Salomoo

Brothers, NatWest and SBC Warburg.

house, gave up renounced its covered

status as a Gemm last April and Bank-

ers Trust, the US investment bank, pulled out of gilt market-making in Decem-

ber. Société Générale, the French bank,

on the other hand, bucked the trend

when it became a Gemm in September.

Nomura, Japan's largest securities

last nail in the coffin.

executive Granada, the botels and

leisure group, said yesterday it had started looking for a senior executive to oversee its expanding television interests, writes Raymond Snoddy. The search bas become nec-

Granada

seeks TV

essary because of management changes due in April. Mr Gerry Robinson is due to take over from Mr Alex Bernstein, chairman, and Mr Charles Allen, whose present responsibilities include television. becomes chief executive.

Granada said yesterday: "Conversations bave taken place with a number of internal and external candidates, but no appointment has been made and is unlikely for some

Mr Duncan Lewis, the former bead of Mercury Communications, is among those to wbom Granada has been talking. The signs are Granada is at the early stages of finding a replacement for Mr Allen.

Lopex sells its stake in WBF

Lopex, the advertising and marketing services company. bas agreed to sell its 73 per cent stake in Warwick Baker & Fiore, a New York-based advertising agency, back to WBF for \$2.9m (£1.88m) in

staged cash payments.

The disposal forms part of Lopex's strategy of disposing will be used to reduce debt.

over of Barings has prompted fewer defections than Swiss

Bank Corporation's acquisition

NEWS DIGEST

Showa Shell says the worst is over

Showa Shell, Japan's largest oil refiner, reported another steam snows sness, sapan s and said the worst was over. The group, fall in annual profits, but said the worst was over. The group, an affiliate of Royal Dutch Shell, announced a 22.3 per cent fall in recurring profits - before tax and extraordinary items - to Y19.09bn (\$182m) for 1995, slightly better than the Y18m the market had expected. It attributed the bulk of the Ya5bn fall . in profits to a Y3bn write-off for earlier foreign exchange losses. This, said Showa, completed the write-offs required to clear losses on forward US dollar contracts, taken out in the early 1980s to cover oil imports, on what turned out to be the wrong assumption that the US currency would fall against the

Sales fell by 3.3 per cent to Y1,354bn. Shows Shell blamed more than half the fall on the price war in petrol, diesel and fuel oil. It was the fourth successive year of decline for both sales and profits at the company, which expects a slight recovery this year. Net profits dropped sharply, from Y38.71 per share in 1994 to Y26.48 last year, and are expected to stagnate in the current year at Y26.54 per share, it said. William Dawkins, Tokyo

Tower Semiconductor to expand

Tower Semiconductor, the Israeli semiconductor manufacturer, is considering building a 51hn manufacturing plant in Israel to expand its growing business. A final decision to invest would depend on the incentive package the government would offer.

The Tower move follows two large semiconductor investment announcements made recently by Intel and Motorola, both seeking to exploit Israel's hefty subsidy policy for companies investing in development zone Avi Machlis, Jerusaler

Oslo to proceed with UBN sale

The Norwegian government is to proceed with the sale of its stake in Union Bank of Norway (UBN), the country's largest savings bank. The government stands to raise about NKr1.7ba. \$290m) from the sale of up to 10m primary capital certificates. PCCs) in UBN, 43 per cent of the bank's PCC capital. The PCCs, similar to equity but with reduced voting rights, closed at NKr176 in Oslo on Friday.

The sale of the stake is part of the government's programme to dispose of its holdings in four banks. Last year it sold its shares in Fokus and Christiania and this year it is expected to sell off some of its holding in Den norske, the country's top commercial bank. The PCCs will be sold to domestic and foreign institutions and the Norwegian public. The book-building exercise will commence on March 1, with pricing on March 15 and allocations on March 16 and 17. Dresdner Kleinwort Benson is global co-ordinator.

Antonia Sharpe, London Best year for Korean carmakers

The Korea Automobile Manufacturers' Association (Kama) estimates that South Korea's five vehicle producers will report a record year for sales and profits in 1995, with combined net earnings of Won138bn (\$177m) and sales up by 18 per cent to

Hyundai Motor, the country's largest maker of vehicles, is expected to report net earnings of Won210bn on sales of Won10,200bn, while profits for Kia and Daewoo were estimated at Won10bn each after both reported losses in 1994. Sales for Kia in 1995 are expected to be Won5,700hn, with Daewoo at Won3.600bn. Asia Motor, the truck subsidiary of Kia, is estimated to have a net profit of Won8bn on sales of Won1,600bn. However, Sangyong Motor is expected to post a loss of Won100bn on sales of Won1.000bn due to beavy investment in production expansion and development.

Quantum official denies loss

Mr Richard Katz, an executive director of the £6bn Quantum fund run by Mr George Soros, described as "completely incorrect" reports that shares in the fund had lost \$1.6bn in value this month. He said net asset values per share had fallen 330 at the deginning of February to \$19.910 at the latest valuation, but the fund had made a distribution worth \$4,200 a share, leaving a net fall of about 5 per cent. Since the beginning of the year, net asset values had fallen by about 2 per cent.

Since early February, the price of shares in the fund, including a premium of roughly 30 per cent, has fallen from about \$33,000 to about \$27,000 before taking account of the

1557.34 290365.4 5.6572 1 1.5404 11.2603 174.714 2404.10 448.1386 692.213m 16993.7 1.5404 1.5404

1011.00 188500.0 3.5727 0.6482 1 7.3100 113.425 1560.75 299.825 449.842 11012.5

Yamaichi quits market-making in gilts

Conner Middelmann

Yamaichi, the Japanese aecurities house, is ceasing to be a gilt-edged marketmaker in a move which underlines the strong grip a few large dealers have on the industry.

Yamaichi International Europe announced on Friday that its subsidiary. Yamaicht Gilts, is to pull out of gilt-edged market making with effect from today and that all its gilt trading activities will be transferred to Yamaichi International's European government bood desk. Of the eight trading, sales and sup-

port staff employed by the gilts division, six are leaving the company. Yamaichi has made markets in gilts since The move highlights growing compet-

Internationale Nederlanden Groep has high hopes for the

first anniversary of the col-

lapse of Barings - just as it has

had for every other event

which could serve to draw a

line under the past of the UK

But ING Barings, the merged

investment bank, and Mr Hes-

sel Lindenbergh, its chairman

and chief executive, cannot yet

devote their full attention to

the construction of the emerg-

ing markets powerbouse they

trader whose unauthorised

derivatives positions brought

down the bank with £890m in

of the collapse with his book

Ernst & Young, administrators of the failed Barings compa-

nies: some of the 21 executives

dismissed by ING; Abbey

National, Barings' partner in a

derivetives venture; and the

vociferous holders of £100m of

Barings bonds which are now

Also, the bank is still

es, has reopened discussion

Mr Nick Leeson, the Barings

have planned

Rogue Trader.

oearly worthless.

merchant bank it rescued.

ittve pressures within the industry and for 20 Gemms". He also said that Japaits polarisatioo between a few large ders. It also follows the introduction of the open market in gilt sales and repurchase agreements, or repos, on January 2, which removed the exclusive privilege of gilt-edged marketmakers, or Gemms, to "short" the market, that is, sell gilts they do not own. Since repos allow everyone to go short of gilts. some banks have questioned the need

to be a Gemm. Mr John Shepperd, chief economist at Yamaichi, said: "Institutional changes have made it much less important that one is a Gemm. We can keep a major presence in the market without being a marketmaker and our intention is that we will still be involved."

He said that in "a fiercely competitive market of such size and liquidity ooe has to question whether there is a need

The official inquiries into the

collapse of Barings, with which

ING has to co-operate, have

proliferated. The reports by the

Bank of England and the

inspectors appointed by the

Singapore finance ministry are

Futures Authority, the indus-

disciplinary action against executives including Mr

Andrew Tuckey, former deputy

chairman, who still works for

ING, as a consultant. And the

Commons Treasury Select

Committee announced last

week it planned to question six

Barings executives, among oth-

The frustration of Mr Lin-

denbergh - a 52-year-old for-

mer engineer whose Dutch

bluntness has not been soft-

is palpable. He is particularly

irritated by the extra demands

of the administrators and

"quite upset," he says, about

the attitude of Abbey National.

"It is a disappointment that It

took us a lot longer than we

thought to get the legal issues

sorted out," he says.

ers, after the Easter recess.

try regulator, is considering

out. But the Securities and

nese investment flows into gilts had been limited, partly because of political and currency risk in the UK. Instead, Japanese investors had preferred other European government bond markets.

One industry analyst said he was surprised by the move. While Yamaichi was never a big player in the market and lacked a large investor base, he said it had spent a lot of money in raising its profile in the market by hiring well-regarded analysts, including Mr Sbepperd and Mr Nigel Richardson, head of bond research.

Gilt-edged marketmakers are the official dealers in UK government debt. They are committed to quoting firm hid and offer prices, which can be costly in volatile markets.

Many banks suffered big losses in 1994 from a sharp fall in bond prices

Maybe this time, we can put it all behind us

The battering, both in the

courts and the media, is all the

more galling because the

underlying business, which

ING acquired for a cash injec-

tion of £660m, is recovering

Barings' corporate finance

department had the good for-

tune that its two largest cli-ents, Wellcome and Lloyds

Bank, were both involved in

buge M&A deals last year.

That, and a strong and cohe-

sive culture, belped advisory

fees to a record year, probably

BAM, the asset manage-

ment business, was least impli-

cated in the collapse of the

group, but seriously affected.

So tarnished is the Barings

name, and so important is rep-

utation in asset management,

sidering a change of identity.

But now that a year has

assed since the collapse, BAM

is bopeful of winning mandates

from clients in the Far East,

where anniversaries are an

occasion for rehabilitation. In

the US, BAM has re-established

its credibility enough to go

in excess of £50m.

A year after Barings crashed, its Dutch rescuer ING is still picking up debris, writes Nicholas Denton through to final presentations

with three clients. · Last month, the rebuilding of the derivatives business was well enough advanced for ING Barings to announce the creation of IBFP, a separate entity for derivatives. The emphasis will be on over-the-counter products, tailor-made for companies and investors, rather than the riskier proprietary trading by which Barings made most of its profits.

 The equity broking, which was Barings' largest source of revenue, suffered from the unexpectedly long closure of Barings' Singapore and Tokyo offices after the collapse. Brokerage income, which comes mainly from emerging markets trading, was "very, very depressed" in the second half Lindenbergh. Bonuses in the division are expected to be mnensurately low.

But ING Barings is poised to benefit from a return to favour of emerging markets this year. ING Barings is expanding in eastern Europe through ING's existing network of bank



Hessel Lindenbergh; defused tensions with his dry bamour

branches. And in emerging markets such as the Philippines and Mexico, the equity tal to provide a seller with instant proceeds while waiting until the company is in fit state for a public offering. The turnaround owes much

to luck, the passage of time and the powerful strategic logic of the acquisition. In addition, crucially, ING's take-

0.4479 3.8668 0.9763 3.1056 3.4355 3.4355 62.7274 343.554 6.7870

A pragmatic ING has, for instance, allowed the corporate financiers to operate under Baring Brothers, a name to which they were attached. And, immediately after the collapse, ING braved an outcry by paying employees the £100m of bonuses they had been prom-

of S.G. Warburg.

ised, in order to retain them. Tensions have also been defused by Mr Lindenbergh's transparent honesty and dry sense of humour. "He has hit exactly the right note with the people here, with the result that they have all stayed," says

a Barings executive. Mr Lindenbergh is said to have an uncanny sensitivity to executives at meetings. "Hessel would pick up that someone

was burning with emotion," says a colleague. "Come on, what's the trouble?' he'd ask." That was not e question often raised et buttoned-up management meetings at Bar

ings before the collapse

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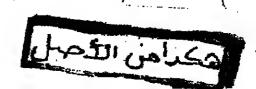
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controlled financial group. The finance ministry turned down the offer by Banco Portugues de Investimento on the The second of th grounds that it was not envisaged within the government'a privatisation plans for BFE.

Analysts said the decision was a clear message that the new centre-left government aimed to keep firm control of its extensive privatisation promarket dictate terms.

But the government has opened itself to criticism for taking ovar a month to reach what amounts to a political decision, given that the legal and technical terms of BPI's bid were officially approved. BFE, Portugal's fifth-largest

banking group, is now to be privatised through competitive hidding for a controlling stake. This would better protect the interests of the state and minority shareboldera, tha finance ministry said. Mr Artur Santos Silva, BPI

president, said yesterday the

bank would analyse the detailed terms for BFE's privatisation, which have not yet been made public, before deciding bow to advance.

BPI, the sixth-largest Portuguese banking group, offered Es132bn for 100 per cent of BFE on January 19, raising its bid to Es152bn on February 19, 1t would have also paid accepting shareholders a 1995 dividend of up to Es90 a share. BPI's highest bid price of

Es1,900 a share sets a bench-mark for the base price for the privatisation, which has not been set. BFE shares closed at Es1,955 on Friday before the In a second phase, the

govarnment announced its

Candidates for the controlling stake will be pre-selected by a jury. The holding will then be sold to the highest bidder from the short-list. Potential buyers will be offered an indivisible block of 51 per cent of BFE directly owned by the

The successful purchaser will also have to offer at least the same price for 19.5 per cent of the bank that was privatised in 1994, and for 12 per cent owned by Cimpor, a state-controlled cement company.

remaining 17.5 per cent of BFE will be offered to employees and small savers at a fixed price. Any shares not sold will have to be bought by the pur-chaser of the main holding. Portugal is to set a maxi-

mum limit on the total assets of any financial group seeking to acquire BFE. This gives the government the power to bar large foreign banks from the bidding as well as Portugal's dominant groups.

Some analysts say the gov-ernment should also fix a minimum asset size to prevent small banks acting as a front for unknown investors.

after first-half downturn By Nikki Talt in Melbourne

North looks to long term

North, the Melbourne-based resources group, reported a fall in after-tax profits from A\$51.9m to A\$32.3m (US\$24.4m) in the half-year to end-December, on revenues up from A\$457.1m to A\$480.1m.

Mr Campbell Anderson, managing director, said that "at this point" he would expect the second half to be "a consider able improvement" on the first. But in its formal statement North also warned that any profits growth over the next

two years was likely to be mod-est due to "increased exploration and development programmes and higher financial charges relating to recent acquisitions offsetting any gains in sales and profits from existing businesses".

Longer-term, however, it said that shareholders could expect to benefit increasingly from new projects and investments. Operating profits for the first

half were little changed from the same period a year ago, with the group A\$124.5m against A\$123.8m. But higher exploration costs of A\$26.6m against A\$20.3m, a small interest charge against a surplus last time, and an A\$8.9m abnormal item significantly reduced the bottom line. Share price relative to the All Ordinaries Index 105 -

Source: FT Edel

Brambles ahead

Brambles Industries, the Sydney-based transportation, equipment hire and waste disposal group, lifted net profits by 16.2 per cent to A\$102.5m (US\$77.6m) for the balf-year to

end December, writes Bethan Hutton in Sydney. Earnings per share rose by 15.1 per cent to 46.5 cents, and the interim dividend is np from 32 to 34 cents. The com-pany predicted a "solid increase" in full-year figures.

The abnormal charge related to the write-down to market value of the company's investment in Dominion, another listed mining group, after North decided not proceed with an option to buy up to 80 per cent of the Yakabindie nickel project in Western Australia, which Dominion was

seeking to develop. North said it was etill talking to Dominion, but that it had no confidence "one way or the other" of resurrecting the deal. There had been no decision to sell the Dominion stake, but it was now beld as a current

Of the group's core activities, profits from uranium and gold were sharply higher, on the back of higher sales and strengthening markets. The Warman equipment business also posted higher earnings. Bnt iron ore was down, due to lower sales volumes and cost increases as was forest prodncts, mainly as a result of export licence restrictions.

The Swedish Zinkgruvan mine, which North acquired late last year, had no effect. with North accounting for the business for January 1. However, the company said that it was encouraged by the purchase, and that its desire to increase annual production from around 650,000 tonnes at present to 900,000 over the next three to four years had been accepted locally.

German investors nervous about prospects for Emu

By Andrew Fisher in Frankfurt

German private investors are increasingly nervous about the prospect of European monetary union and the disappearance of the D-Mark, leading many to avoid investments maturing after 1999, according to some bank advisers and economists.
Such fears contributed to last week's

low bidding for a DM10bn issue of fiveyear government notes, although traders mainly blamed the Bundesbank for mishandling the anction. The issue matures in November 2000; Emu is due

Bank of Japan's Frankfurt offica. But Mr Rosenstock said private inves-"Older people are especially cautious tors were cautious. "You can't easily and risk-averse. These are the people who have built up considerable assets. This factor [Emu anxieties] should not

be under-estimated." He said, however, that it was impossible to quantify the effect on investment attitudes of concern over Emu. Much evidence was anecdotal, but should not be ignored by politicians abead of Emu. "Any mistakes could lead to chaotic circumstances on the capital market."

Big institutional investors bave mostly taken account of Emu in their to start on January 1 1999.

"This is a neuralgic time threshold," Westdeutsche Landesbank. "It is not a topic any more for the professionals."

remove mistrust about new money."

The D-Mark will be replaced by the euro when Emu begins, although the new currency will not be widely distributed until 2002. "Clients have become sensitive about currency union," said Prince Alexander of Hessen, a Frankfurt-based investment adviser at Baverische Vereinsbank. "They are wary of longer-term loans, though low interest rates also play a part."

"There is much uncertainty about how Emu will be introduced. Older people also remember the currency reform. They are wrong to compare the two, but it is a very emotional subject," be

added. In the 1948 reform, savers lost out under the terms of the Reichs-

mark's replacement by the D-Mark. With Emu, the fear is that the D-Mark will be succeeded by a weaker euro. Politicians and central bankers have stressed that the economic criteria for Emu must be adhered to strictly, but this has raised the question of whether it can start on time, since even Germany now fails to meet all the criteria.

"Private investors are certainly wor ried about Emu," said Mr Jan Holthusen, bond analyst at DG Bank. "Many have drastically shortened the period over which they want to invest." He said Emu affected the attitudes of investors with up to DMIm (\$689m).

Bre-X shares soar on Busang stake

ican mining shares, Bre-X Minerals has put on a terrific show. The Calgary-based exploration company, which is listed on the Alberta stock exchange, has rocketed from C\$1.90 a year ago to a peak of C\$170 last week. The shares closed at C\$150.25 last Friday, giving Bre-X a market capitalisation

The buying frenzy stems from Bre-X's 80 per cent stake in what appears to be a huge gold deposit at Busang, Indonesia. Busang is part of an extensive "gold belt" stretching across the island of Kalimentan that has attracted several prominent multinational mining companies and a horde

of small exploration outfits. "It's more than a gold discovery," says Mr John Hainey, analyst at Eagle & Partners in Toronto. "Even if Bre-X does notify gelse, they're already in the category of senior gold pro-

Bre-X's shares bave been given an extra push by specu-lation of a takeover bid. According to Mr Ron Coll, analyst at Deutsche Morgan Grenfell in Toronto, "this is the kind of project that the big companies need to get control

Possible predators include Newmont Mining, the US group, Vancouver-based Placer Doffie, and Barrick Gold of Toronto. Earlier this year Barrick advanced US\$14.7m to another junior company to finance exploration on a parcel

of properties near Busang.

The big question now is just how rich the Busang deposit will turn out to be. Bre-X bought its initial stake in the property two years ago for a modest C\$100,000. Drilling results released last week delineated reserves of about 15m ounces. However, drilling has so far been limited to only a relatively small section in

the south-east of the property. "They could quite easily get 30m ounces, and it doesn't stop there," Mr Hainey says. "The mostde is still wide open." comparison, medium-

E ven by the super-charged standards of speculative North Amer looks at a Canadian gold rush winner in Indonesia

sized North American producers have reserves of 5m to 10m ounces. Barrick Gold, currently the biggest gold producer outside South Africa, estimates its total "proven and probable" reserves at 36.5m

Besides its size, the Busang deposit appears to have the advantages of being high-grade, close to the surface simple metallurgical extraction process. Production costs are thus expected to be low.

Mr David Walsh, Bre-X'a chief executive, predicts that a mine could be in operation by

Bre-X is 24 per cent owned by Bresea Resources, which is listed on the Montreal stock exchange. Mr Walsh, whose background is in investment management and mining finance, is a substantial shareholder in both companies.

re-X owes much of its Sincress, however, to Mr John Felderhof, a Canadian geologist who lives in Indonesia and is credited with having a hand in the discovery of Ok Tedi, the big copper and gold mine in Papua New Guinea. Mr Felderhof per-suaded Mr Walsh to invest in Indonesia in 1993 on the grounds that metal prices were low and, in Mr Walsh's words,

Bre-X shareholders will be asked to approve a 10-for-1 share split at next month's annual meeting. Analysts estimate the shares are worth C\$200 or more, based on valuation criteria applied to large

including its reliance on a sin-

"because no-one was there".

North American producers.

However, an investment in
Bre-X does carry greater risks, gle project and the fact that Busang is still several years away from production.

Bad debt provisions hit Banco Bamerindus

By Angus Foster in São Paulo

Banco Bamerindus, one of Brazil's largest private sector banks, has announced a sharp fall in profits following a big rise in bad debt provisions. Bamerindus, which was affected last year by rumours about the health of sevaral Brazilian banks, also saw its borrowing costs increase and a

steep fall in deposits. Bamerindus said net profits lell to R\$99.7m (US\$101.7m) in the year to December 31, com-pared with R\$136.3m in 1994. Earnings per 1,000 shares fell from R\$4.10 in the previous

Period to R\$2.84. About two-thirds of Bamerinprofits came in the first half of the year, before Brazil's economy alowed and several banks hit a liquidity crisis. Bamerindus's provisions for condition credits jumped from 14m to R\$402m, although one analyst said the bank's provisions were less cautious than some rivals.

Bamerindus said deposits fell from R\$0.05bn to R\$6.58bn. Sev-eral banks were hit by liquid-ity concerns during the year, prompting customers to shift to the country's biggest private sector banks.

Income from banking services, seen as an important source of profits now inflationrelated gains have fallen, rose more than 40 per cent to

Partly prompted by these liquidity concerns, Bamerindus sold its stakes in two of Bra-zil's largest steelmakers, CSN and Usiminas, and a petrochemical company. The bank said the sales raised R\$255.6m. innacel, a troubled paper com-pany controlled by the bank, continued to lose money, the

Bamerindus reported a slight increase in net assets during the year. They rose 8.3 per cent to R\$1.34bn. The bank's return on net assets fell from more than 11 per cent to 7.5 per cent.



den trend. Last

pany AT&T

announced it

Global Investor / Tony Jackson

Behind the fads lurk real-world issues

would split itself up, and in the next five trading days its stock rose II per cent. In November, healthcare group Baxter International said the same, and its stock rose 9 per cent. Next came business sarvices company Dun & Bradstreet, which then rose 2 per cent; and most

Hanson, which fell 5 per cent. Here is an investment fad being worked to death. In a rising market, such feds proliferate. A company does some-thing unexpected, and its stock rises. Other chief executives and their financial advisers take note and follow suit. Evectually investors turn away in boredom, and the

receotly the UK conglomerate

game moves on. Some of these fads are frothy and fairly harmless, such as the vogue for Internet stocks. Cybercash, a software company which has yet to record any sales, let alone profits, went public two weeks ago and is now worth over \$500m. Some are more deep-seated, and could prove correspondingly

Proposeots of demerger might argue that Dun & Bradstreet and Hanson are not fair examples. Dun & Bradstreet's break-up plan appears to involve a divideod cut, and Hanson's raises tax problems.

But that is just the point. It is a fair bet that neither deal would have been proposed had it not been for the uncritical reception of previous demergers. The AT&T break-up, being the biggest, may have marked the high water mark of this particular vogue. Its real value to sharebolders remains s matter for debate.

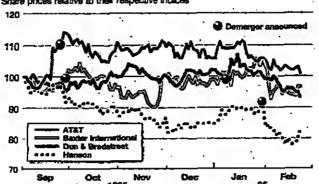
Last week, General Electric, America's biggest company by market value and so unabashed conglomerate, devoted space in its annual report to explaining just why it has oo intention of demerging. Mr Jack Welch, GE's chairman, told shareholders that GE has gone to immense pains to create a small company cul-ture, so demerger would be redundant, "We are a company intent on getting bigger, not smaller." he wrote. "[Our] only

answer to the trendy question

- 'what do you intend to spin

- is 'cash, and lots of it'."

Price of breaking up Share prices relative to their respective indices



It is also worth noting that GE's employment rose fractionally last year, from 221,000 to 222,000. The company was reviled for shedding jobs a dozen years ago. It now appears to be bucking the

This brings us to the biggest Wall Street fad of all. There is no question that job-shedding is partly a matter of investment fashion. Granted, it is

underpinned by a fundamental trend: almost all the big old US corporations are steadily employing less labour. But dramatic announcements of job cuts are something the dimmest investor can comprehend.

As a result, companies which

make no such announcements are on the defensive. Mr George Fisher, chairman of Kodak, has said firmly that he is not about to slash jobs, since

Bichard Mooney

Total return in local currency to 22/2/96

	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.10	0.01	- 0.07	0.08	0.20	0.12
Month	0.46	0.04	0.30	. 0.37	0.82	0.53
Year	6.94	2.38	5.63	∵ 6.B2	10.56	7.81
Bonds 3-5 y	¢ar.					
Week	-0.68	-0.29	-0.82	-0.41	0.09	-0.54
· Month	0.20	-1.08	-1.64	-0.74	-0.44	-0.73
Year	12.59	8.72	13.30	. 14 <u>.27</u>	18.88	13,48
Bonda 7-10	year'					
Week	-1.35	-0.53		-0,88.	-0,26	-0.94
Month	-0.98	-0.94	-3.41	-1,91	-1.44	-22
Year	16.17	12.69	14.74	17.37	24.32	14.85
Equities						
Week	1.2	-24	-B.&	-0.8	-3.5	-0.9
Month	7.7	0.1	. 0.7	1.4	-4.6	0.4
Year	38.8	13.7	15.7	13.9	4.9	28.S
Source: Cash & The FT/SEP Act	Laries World is	ndiças are	cently owned	Equities by FT-SE to	© FT/Extel & terretioner L	ndex Link." mited,

his predecessors cut so much that the corporate culture cannot stand any more. in a different climate, the point might seem eminently sensible. As it is. Wall Street disapproves. Again, the high water mark

of this vogue might turn out to be AT&T. Its recent announce-ment of 40,000 job losses has become a real political issue. A mug-shot of Mr Bob Allen, AT&T's chairman, appears on last week's cover of Newsweek magazine, along with such luminaries as Mr Al Dunlap of Scott Paper. "Corporate Killers", the cover shouts. "Wall Street Loves Layoffs. But the Public Is Scared as Hell."

Mr Pat Buchanan, the presi-dential candidate, has used job cuts as a stick to beat big business. His rival Mr Bob Dole has been obliged to follow suit, musing in recent speeches on why record corporate profits should coincide with record job losses. Even the Wall Street Journal carried an article highly critical of Mr Allen on its front page last week.

The irony is that AT&T is the wrong target. Throughout the phone industry, technology is steadily replacing labour. British Telecom, a company with a quarter of AT&T's revenues, got rid of 19,000 employ-ees oo a single day in 1992. In the US, the process is being accelerated by the advent of deregulation. AT&T's rivals will doubtless follow suit.

But if telecoms are a special case, manufacturing industry is not. There is a real risk that some manufacturers, egged on by Wall Street, are cutting jobs too far and will pay the price in the upturn.

This thesis - so-called "hollowing out" - is ridiculed by many industrialists, including Mr Welch of GE. US manufacturers, they argue, have discovered the philosopher's stone of productivity. They can go on turning out more goods with fewer people for ever.

Perhaps. But the argument would be more persuasive if management were not being offered an extra incentive for job cuts in the form of rising stock prices and consequent bonuses. In such an atmosphere, it would be surprising if excesses did not occur and the economic upturn, after all has yet to arrive.

There is also a risk of political backlash. If would not do to take Mr Buchanan's polenics too seriously. But two Dem ocratic senators, Messis Daschle and Bingaman, are shortly to propose tax breaks for so-called responsible corporations. To qualify, companies would have to sign agreements to curb job losses, spend a given amount on employee training and hire half their new staff within the US.-

At the extreme, a backlash could also take the form of higher top tax rates on salaries and investment income. This would be a satisfying form of populist revenge against the executives who have slashed jobs while raising their pay.

These issues, of course, go deeper than mere stock market behaviour. But if investors give an uncritical welcome to job cuts - and companies announce them with far, accordingly - it serves to make a bad situation worse. Wall Street in short, can have real world consequences.

Zinc trade under a shadow

Persistent excessive stock levels in the world zinc market are likely to cast a shadow over the American Zinc Associstion's five-day annual international conference, which began

in Palm Springs yesterday.

London Metal Exchange warehouse stocks of zinc have nearly balved from the level reached late in 1994 and are continuing to fall, but levels will still be sufficient to cap major price rallies in the first balf of this year, industry observers told the Reuters news agency last week.

"The stock accumulation from 1992 to 1994 was such that it has left a huge overhang," said Angus MacMillan of Billiton Metals. "The draw-down will not be sufficient this year to support much of an upward

move in prices." "I think prices will be on a gradual upward petb, but it won't be dramatic because of stock levels," said another ana-

"The picture is not all bad, and I think most producers would agree." said an executive at a leading European pro-

ducer. "There are a lot of long term contracts on the books, although spot business bas been a bit difficult in the past few months,"

At the conference, entitled "The Health of Zinc", delegates will hear papers by producers, consumers, banks and ana-

 Also beginning yesterday was the four-day US National Eastern Mining Conference in

Other events this week include the French National Farm Fair, which starts in

Paris today and concludes on Sunday. Today also sees the launch in Johannesburg by the Sonth African Futures Exchange (Safex) of white and yellow maize futures.

Tomorrow, New York will be the venue for the first launch of CPM's silver survey and gold market briefing, which will be repeated in Mexico on Thursday, in London on March 5 and in Australia on March 14. in Pretoria on Friday the

two-day South African Government Mineral Policy Workshop will begin.

European

Investment Bank

helian Line 200,000,000.000

Coupon no. 13 due from 23.2.1976 to

23.8.1996 will be payable from 23.8.1996 at the rate of 10.00% p.a.

Italian International Bank PLC Landon

Reference Agent Bank

Date 21.2.1996

III. 252,778 Per III. 5,900,000 rewinds III. 2,527,778 Per III. 50,000,000 norm

Company news

Abbey National final expected to be generous

Abbey National reports 1995 annual results today. After a particularly strong second half the home loans and banking group is forecast to make pre-tax profits of £1bn-£1.04bn, up from £952m last time. The solid increase should stem from a decline in bad debts and steady growth in pre-provision profits. The group is expected to unveil a handsome dividend, A final payout of about 22p would represent a 24 per cent rise on 1994.

■ UK banks: The main British banks end their reporting season this week, beginning with HSBC Holdings today. Estimates for pre-tax profits range from 23.45hn to £3.55hn, up from £3.17hn in 1994. Much of the buoyancy comes from HSBC's Asian operations, including Hongkong and Shanghai Banking and Hang Seng Bank. HSBC's UK subsidiary, Midland Bank, is likely to have provided for some of its estimated £300m exposure to Eurotunnel Attention will focus on

Barclays will be the last of the English high street banks to report. Most analysts predict it to report tomorrow an advance from last year's £1.86bn to about £2.1bn. But operating profits are expected to remain relatively flat, and some forecasts project a pre-tax profits decline. The company may also announce plans for a

share buy-back. Standard Chartered's pre-tax profits on Wednesday are expected, to advance by 25 per cent or more from 1994's £510m, with a hefty dividend increase predicted. Although many banks eye Standard Chartered's Asia-Pacific franchise enviously, its share price has proved expensive enough to deter bidders.

■ General Accident: May be the first composite insurer this reporting season to report a fall in profits as the downturn in the UK insurance cycle, and bad weather, take effect. The Perth-based group is expected to report tomorrow that 1995 operating profits slipped from the previous year's restated £434m. Royal Insurance said last week December's freeze cost it £40m and the impact on GA is expected to have been similar.

Clearing banks



■ George Wimpey: The building company will unveil disappointing results tomorrow. It has warned that its pre-tax profits for 1995 will be no lower than £15.5m, against £45.1m. Flat construction and housing markets, and restructuring costs, are to

However, Wimpey has swapped its quarries and contracting businesses for Tarmac's house building division, and analysis expect the new focus on Wimpey's traditional strengths to lift the company in 1996. Also, January figures suggest the housing market may be

group is expected to report pre-exceptional full-year profits of £110m on Wednesday. After restructuring charges and losses on disposal, however analysts expect it to incur a pre-tax loss of about £48m, against profits of £131m previously.

■ Associated British Ports: The privatised ports operator is expected to announce growth of 11 per cent in 1995 profits on Wednesday.

Analysts have pencilled in a full-year

figure of about £39m, compared with the previous year's £80.3m. Earnings per share of 17.8p (16.4p) are forecast. The core port operations, particularly at Southampton and the Humber, are thought to have been the driving force behind the growth in

■ Willis Corroon: The insurance broker is expected on Thursday to report pre-tax profits of about £80m for 1995. Willis took a £49m exceptional charge for reorganisation in 1994 and the latest figures should restore profits to roughly

Molda Stare price relative to the Hex General Index 160

■ Nokia: Investors will be watching anxiously when the Finnish mobile phones group publishes its 1995 results on Wednesday. The star of the Helsinki bourse for the past three years has warned of setbacks in the last part of the

1995

Analysts are expecting profits in the last four months to have fallen from FM1.7bn in 1994 to FM1.5bn (£326m). profits Full-year profits are expected to be ahead by a respectable 28 per cent at FM5.1bn - but that is well below the FM5.9hn which the market had been expecting before the company's warn

■ British Aerospace: Will report full-year £320m on Thursday, up from £186m in 1994, underlining the continuing recovery in the company's fortunes. Exceptional interest charges on aircraft leases are likely to cut the total by about £25m and there will also be a £26m write-off for the company's investment in the Burwood House property venture with Asda.

Restructuring of BAe's turbo-prop aircraft business is also likely to cost £40m, bringing the final pre-tax profit down to about £229m. Dividends for the year are likely to be 12.5p, up from 10p.

■ Lasmo: One of the UK's biggest independent explorers and the subject of recent takeover speculation, reports on Thursday. Broker BZW expects net income of £34m, against £3m loss in 1994.

■ Gencor: The widespread restructuring at the South African mining and industrial group, will come under the spotlight when interim results are posted tomorrow. The Sanlam-controlled group has disposed of marginal gold mines and expanded its share of the metals and related commodities industry.

Commonwealth Bank Australia Commonwealth Bank of Australia AC.N. 123 123 124

U.S. \$7,000,000

Undated Floating Rate Notes exchangeable into Dated Floating Rate Notes

and U.S. \$217,000,000

Floating Rate Dated Notes due February 1999 exchangeable into Undated Floating Rate Notes and

U.S. \$176,000,000 Floating Rate Dated Notes due February 2000

exchangeable into Undated Floating Rate Notes Interest Rate

Undated Notes

Dated Notes

5.2475% per annum (LIBOR 5.1875% + 0.06%) 5.125% per annum (LIMEAN 5.125%)

Interest Period

26th February 1996 to but excluding 27th August 1996

Interest Amount due **Undated Notes** per U.S. \$ 10,000 Note U.S. \$ 266.75 per U.S. \$250,000 Note U.S. \$6,668.70

Dated Notes per U.S. \$ 10,000 Note U.S. \$ 260.52 per U.S. \$250,000 Note U.S. \$6,513.02



CS FIRST BOSTON

PUTNAM HIGH INCOME GNMA FUND S.A.

11, rue Aktringen, L-1118 Luxembourg R.C. Luxembourg N° B 22.041 NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Shareholders will be held at the registered office of the Company on 13 March 1996 at 11.00 a.m. with the following agenda: AGENDA

AGENDA

1. Presentation of the reports of the Board of Orectors and of the Auditor.

2. Approval of the balance sheet and profit and loss accrual as of 30 November 1986.

3. Discharge of the Directors for the fiscal period ended 30 November 1995.

4. Re-election of Meaars John R. VERANI, Takehiko WATANABE, Thomas M. TURPIN, John C. TALANIAN, Steven SPIEGEL Affred F. BRAUSCH and Jean-Paul THOMAS as Directors for the ensuing year.

5. Recommendation to the Annual General Meeting to approve the declaration of a dividend of U.S. Dollar 0.29 per share. If approved, the dividend will be paid on 22 March 1996 to shareholders on record 13 March 1996, ex-dividend on 14 March 1996.

8. Any other business which may be properly brought before the Meeting.

The shareholders are advised that no quorum is required for the items of the agenda and that the decisions will be taken at the simple majority of the shares present or represented at the Meeting Each share is entitled to one vote. A shareholder may act at any Meeting by proxy. By order of the Board of Directors

KNIGHT-RIDDER'S FUTURES MARKET DATAKIT FROM \$570 ne: Nis Biretter Valdi, 72 Floot Street, Landon ECAY 1NY, Tet. +44 (0) 171 842 4063



US\$300,000,000 Floating rate notes due 1999 The notes will bear interest

at 5.61953% per annum for the interest period from 26 February 1996 to 21 May 1996. Interest payable on 28 May 1996 will amount to US\$143.61 per

Agent: Morgan Guaranty Trust Company **JPMorgan**

Interfinance Crédit

Guaranteed floating rate

undated unsecured sub-

ordinated noo-cumulative

In accordance with the terms and conditions of the notes the

rate of interest for the interest period 26 February 1996 to 27

August 1996 has been fixed at

8.437508438% per annum. Interest payable on 27 August 1996 will be US\$42,890.67 on each US\$1,000,000 principal

Agent: Morgan Guaranty Trust Company

ABN-AMRO

ABN AMRO BANK N.V.

US Dollars 150,000,000

Subordinated Floating

1992 due 2002

The interest payable on February 26, 1996 against

Coupon No. 7 in respect of US\$ 100,000 nominal of the

Notes will be US\$ 3,029.36

instead of US\$ 3,029,63.

ABN AMRO BANK N.V.

mount of the notes.

JPMorgan

National N.V.

US\$100,000,000

capital notes



BANK OF GREECE US\$200,000,000 (with an initial tranche of US\$150,000,000)

Floating rete notes 1998

The notes will bear interest at 6.0625% per annum for the period 26 February 1996 to 28 May 1996. Interest payable on 28 May 1996 per US\$1,000,000 note will amount to US\$15,493.06. Agent: Morgan Guaranty Trust Company

JPMorgan

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(Did you know over one million people are living with it?

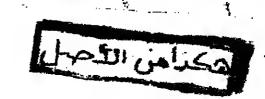
LONDON SW3 3BR

Cancer Relief Macmillan Fund

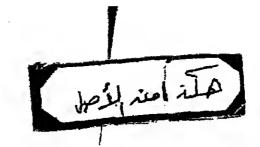
FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE international Limited, Goldman, Sache & Co. and Standard & Poor's. The Indices are compiled by FT-SE international Limited and Goldman Sachs in conjunction with the Faculity of Actuaries and the Institute of Actuaries. NatiWest Securities Ltd. was a co-founder of the Indices. NATIONAL AND REGIONAL MARKETS

figures in parentheses	US	%chg	Pound	Y FEBR	JANT 23		Local %	Gross	US TH	URSDAY	FEBRUA	RY 22 19	96	DO	LLAR IN	DEX
how number of Rnes of stock	Dollar	3/10e 29/12/95	Sterling Index	Yen Index	Index	Currency	chg from 29/12/95	Div. Yield	Dollar	Pound Sterling index	Yen Index	DM Index	Local Currency Index	52 week !		
iustralia (81)	198.22	3.3	188.88	130.08	148.05	172.47	1.5	3.88	104.05					High	Low	(epp
uetria (26)	189.87	27	182.56	125.74	143.11	142.98	10.2		194,65	187.01	129.22	146.90	171.76	200.32	158.79	1.1
leigium (34)	211.27	1.0	203.35	140.06	159.41	155.57	2.5	1.51 3.39	186,55	179.22	123.84	140.78	140.88	188.28	168.11	
razi (28)	164.74	18.4	158.56	109.21	124.30	297.75	20.7	1.55	208.49	200.30	138.41	157,34	153.63	215.81	172.86	
- rade (101)	154.51	4.1	148.71	102.43	116.58	154.08	5.1	2.44	163,24	156.83	108.37	123.18	295.04	170.25	86.08	
Denmerk (33)	304,21	5.3	292.80	201.67	229.53	232.18	27		155.35	149.25	103.13	117.24	154.72	158.71	125.64	
Inland (24)	187.99	0.5	150.94	124.62	141.84		4.3	1.62	301.92	290.08	200.43	227,85	230.55		252.41	
rance (98)	188.17	5.4	182.07	125.40	142.73	147.95	7.5	1.80	183.76	176.54	121.99	138.68	173.89	276.11	171.13	_
Jermany (80)	173.35	5.8	166.65	114.82	130.80	130.80		3.14	186.25	178.94	123.64	140.56	148.01	191.17	161.53	_
long Kong (59)	443.06	14.3	426.44	293.71	334.29	439.84	7.4	1.85	171_23	164,51	113.67	129.23	129.23	173.35	142.25	
eland (16)	259.84	1.7	250.10	172.26	196.05	230.59	14.3	3.22	440.70	423.39	292.56	332.58	437.54	451.18	323.67	
afy (59)	74.79	1.5	71.98	48.58	56.43		2.7	3.43	257.02	246.92	170.B2	180.97	228.01			_
apen (462)	150 73	-2.7	145.07			87.17	-0.2	1.71	73.14	70.26	48.55	55.19		262,70	205.44	
takayska (107)	525 27	8.3	505.57	99.92	113.73	99.82	-1.1	0.76	151.01	145.08	100.25	113.97	85.73	82.71	65.45	
(sedgo (18)	1148 07	10.9		348.21	396,32	516.67	8.9	1.62	525.58	504.93	348.90		100.25	164,82	136.95	
etherland (19)	202 47		1105.68	761.68	866.91	9440.54	8.2	1.47	1142,41	1087.53		396.63	S12.67	561.96	425.77	4
ow Zooland 1971		3.5	271.55	167.03	212,87	209,33	4.8	3.20	280.12	269.11	758.38	962.14	9421.50	1237.14	647.81	. 8
lew Zealand (13)		2.0	78.18	53.85	91.29	63.77	-1.4	4.57	79.75		185.95	211.39	207.88	283.23	225.09	. 2
lorway (33)	242.89	5.0	233,78	181.02	183.26	208.94	5.3	2.19		76.61	52.94	60.18	62.75	85.49	72.39	
ingapore (44)		12.0	438.85	302,33	344.10	296.01	11.5	1.36	241.86	232.35	160.55	182.52	208.24	243.79	202.76	- 2
outh Africa (45)		3.2	382,61	263.53	289.94	334.95	9.1	3.56	456.24	438.32	302.87	344,31	295.76	465.21	346.10	34
pain (37)	175.13	6.0	168.58	11210	132.14	162.20			392.76	377.33	260.73	296,40	333.94			30
weden (47)	338.14	8.3	325.48	224,16	255.13	336.40	6.8	3.70	175.20	168.32	116.91	132.22	162.31	437.76	303.31	13
witzerland (39)	230.95	-21	222.28	153.10	174.25	168.79	9.9	2,11	331.55	318.53	220.10	250.21	331.13	175.20	124.10	
halland (46)	184_22	8.5	177.31	122.12	138.99		0.3	1.58	227.95	218.00	151.32	172.03		338.14	232.23	. 24
nited Kingdom (205)	232.87	0.9	223.94	154.24		180.21	8.5	1.97	185.90	178.59	123.41		187.11	239,55	171.70	17
SA (631)		7.1	258.97		175.55	223.94	1.7	4.04	233.01	223.85		140.29	181,94	193.95	130.15	1/
			200.97	178.37	203.01	269.06	7.1	2.15	268.82	258.25	154.68	175.84	223.85	235.60	192.74	. 19
mericas (778)	245.29	7.1	238.09	162.91	185.07	208.22			200.00	200.20	178.45	202.87	268.82	269.11	.187.20	15
игоре (730)	206.25	2.7	198.51	136.73	155.62		7.1	2.15	245.09	235.46	162.70	164,96				
ordic (137)	_293,45	6.4	282.44	194.54		176.53	3.9	2.99	204.65	196.61	135.86		206.05	245.54	180.00	18
acific Basin (832)	164.28	-0.6	158.12	108.91	221,41	252.48	8.0	2.00	288.72	277.38		154.44	175.25	206.25	169.63	. 17
uro-Pacific (1562)	181 87	0.9	174.85		123,95	112.14	0.7	1.18	164.40		191.67	217.89	249.04	295.02	222.22	· 2
orth America (732)	262 01	7.0		120,43	137.07	136.55	22	2.04		157.94	109.14	124,07	112,37	171.87	145,95	. 1!
rope Ex. UK (525)	107.00		252.18	173.69	197.89	261,40	7.0	2.15	191.07	173.95	120,20	136,85	138.22	183.39	158.37	10
edfic Ex. Japan (350)	167.01	3.7	180.05	124.01	141.14	148.87	5.1	2.41	261.82	251.54	173,81	197.58	261.20	262.26		19
CIRC EX JAPAN (550)	200.11	9.3	278.26	191.88	218.13	253.52	27		184.67	177,A1	122.59	139.38	148.20		192,77	
orld Ex. US (1754)	163.12	1.2	176.25	121,39	138.16	140.88	2.5	2.90	287.89	276.58	191.11	217.26		187.07	152.92	1
larid Ex. UK (2180)		4.0	199.66	137.53	156.53	173.10		2.07	182.51	17S.34	121.18	137.73	252.67	292.89	229,25	2
orld Ex. Japan (1903)	242.17	5.7	233.06	160.54	182.72		4.8	1.91	206.92	198.79	137.36		140.53	184,71	158.72	1
- W-14 Labor #205	040 ==				102.72	227.45	6.2	2.50	241.32	231.84		156.1S	172.76	207.64	166.82	. 16
ne World Index (2385)		3.7	201.68	139.03	158.24	177.74					160.20	182.11	226.73	242.17	187.55	18
pyright, FT-SE Instructional C Lear Dec 31, 1986 = 100; Fr							4.5	2.10	550		138.91					•••



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EQUITY MARKETS: This Week

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Source: FT Extel

12

Delayed data could ease uncertainty

NEW YORK

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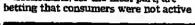
For a week in which the Dow Jones industrial Average soared by nearly 200 points, last week was certainly a scary one. The Dow opened the holiday-shortened week with a 45-point loss and then gyrated through the remaining three sessions as investors assessed and reassessed their outlook on the economy and interest rates.

This week's wave of economic data should go some way toward eliminating the economic uncertainty that exists, in part hecause the government is still struggling to catch up with figures that were not released during the recent shutdown.

... Among the most important figures will be tomorrow's data on retail sales. A lingering question for the market is whether consumer spending can rise fast enough to give a boost to the

sluggish economy. Economists, for the most part, are

OTHER MARKETS



AMSTERDAM

writes Ronald van de Krol. DSM, which has said already

doubled, soared last week on

planned to sell two-thirds of its

banks and insurers in the form

The structure of this planned

boost profit per share available

that 1995 profits roughly

news that the government

31 per cent stake to Dutch

of cumulative preference

transaction is designed to

to the existing holders of

ordinary shares, and this caused DSM shares to rise hy

Fl 10 from Tuesday's close, to

results, due on Thursday, are

not expected to bring further

Financial stocks like ABN

Amro have benefited from the

interest rates, but this may be

Theodoor Gilissen Bankiers

in Amsterdam says financial

stocks should be given only limited space in an investment

portfolio in 1996.

sharp share price gains.

steady downward trend in

coming to an end.

around F1 155.00 on Friday. The

FRANKFURT The Dutch market will be With last week's weakness in faced with corporate results bonds reversed by lower than from a mix of cyclical and expected money supply growth financial stocks this week. figures, and strength in with the chemical groups, equities surfing on Wall Akzo Nobel and DSM, and Street's performance, next ABN Amro Bank all scheduled to release 1995 profit figures,

week will be an intriguing one for German equity strategists. The Bundesbank meets on Thursday, Last Friday, an M3 expansion growth rate of 8.4 per cent against some fears of between 15 and 20 per cent had pundits saying the Buha had its options wide open so far as further interest rate cuts were concerned,

However, the other side of the inflation coin, CPI figures from the German lander, could affect the issue in the early days of this week.

Meanwhile, SAP, the computer software group whose preference shares put up a phenomenal performance in 1994 and 1995, will face a New York analysts' symposium today and

tomorrow. Ms Jadwiga Bobrowska, an analyst at Merck Finck in Düsseldorf, expects little in the way of news here; but the company raised its dividend by 50 per cent just over a week ago and this, she says, was a positive signal for the future.

enough in January to spark the economy. The mean estimate has retail sales falling by 0.3 per cent, while

analysts are looking for flat sales, excluding volatile car components. Economists are looking for a 0.4 per cent rise in the producer price index and a 0.3 per cent gain in the consumer price index

Dow Jones Industrial Average

Lisa Bransten

Although such relative strength could be worrisome in the mcreasingly bearish environment of the bond market, stocks may well be able to shrug off declines in the bond market as they did for much of last week.

Instead of recommending

either cyclicals or financials to

long-term investors, it favours

Nutricla, Unilever and Wolters

steady growth stocks such as

Ahold, Elsevier, Haineken,

French equities closed last

largely as a result of the US

Pitt. But there were fears in

government'a announcement

of a shake-up in the defence sector would exert a negative

of Thomson SA in one lot.

implications extend to joh

influence in the coming weeks.

either through privatisation or,

more likely, through the sale

to an industrial partner, has found critics already, the wider

losses throughout the defence

On the corporate front, this

week sees another busy results

industry, in an environment

already shouldering a high

timetable, with figures due

Français tomorrow and

Paribas on Wednesday.

from Legrand today, Ciments

In addition, economic data

likely to impact on equities includa household

consumption figures and

unemployment rate.

While the strategy to dispose

market's strength, writes John

week in positive territory

some quarters that the

PARIS

Caution likely ahead of Scott debate result The Scott report debate today promises

LONDON

a nervous start to the week for the market. While traders expect the government to survive the furore, the latest political defection will make investors cautious about committing money before the result is known. Politics aside, the main domestic focus will be on the results season. Last week's slew of figures did not contain

plenty to analyse this week. Numbers are due from Abbey National, Associated British Ports, Barclays, BICC, British Aerospace, General Accident, HSBC Holdings, Lasmo, and Standard Chartered. Sluggish world-wide economic growth is expected to have resulted in a slower

any nasty surprises but there will be

UK corporate sector. But given the volatility that has characterised international financial markets recently - notably Tuesday's

pace of earnings growth for much of the

January unemployment, which

most analysts expect to show

an increase month-on-month.

Investors will focus today on

results from the colony's two

biggest banking groups, HSBC

Holdings and Hang Seng Bank,

Expectations for earnings

robust performance put in by

Bank of East Asia, the colony's

third biggest listed bank, and if

today's results it could prove a

The reporting season is well

earnings are likely to influence

final results will be Hongkong

Overall, corporate earnings

outlook for lower interest rates

has been clouded by comments

chairman Mr Alan Greenspan.

generally feed through to Hong

Kong via the currency peg, and speculation of a reduction had helped drive share prices

higher earlier in the month.

Cuts in US interest rates

are expected to grow by some

15 per cent, Elsewhere, the

from US Federal Reserve

have been enhanced by the

this is followed through in

bigger boost to the sector.

under way, and corporate

and Shanghai Hotels and

Hongkong and China Gas.

market performance throughout. Also reporting

to set the tone for trading,

writes Louise Lucas.

HONG KONG

FT-SE-A All-Share Index 1,840 1,830

Philip Coggan

two-point fall in US Treasuries and Thursday's 90 point rise in the Dow Jones Industrial Average - domestic developments may well prove

secondary to events elsewhere. A wave of liquidity is sloshing round the world in the wake of interest rate cuts in the US and Europe and very low rates in Japan, and the result has been some sharp market movements.

February 1996

London, perhaps because of political and earnings worries, has yet to be the beneficiary of the flow this year - but could be a casualty of other markets'

TOKYO

A seven-day losing streak for the Nikkei average, the longest consecutive string of losing sessions since January 1995, had wiped nearly 650 points off the barometer index by the end of last week, giving a sobering reminder of the chronic weakness of investor

confidence in the Tokyo market, writes Guen Robinson. Wall Street's rally last Thursday, together with signals from the US authorities of continuing easy monetary policy, failed to shake Tokyo's inertia.

On the contrary, domestic institutional investors - banks in particular - continued dumping shares while foreign buying remained thin. All eyes now are on the

public fund managers, who have stayed conspicuously on the sidelines or in selling

What they do, if the market continues to slide, will tell other participants whether the government is making good on nints dropped last week by Tokyo stock exchange officials: that It will intervene to prevent the Nikkei average slipping back below the 20,000

Compiled by William Cockrane

International offerings

Sense of urgency sparks a build-up of issuance

A sense of urgency has crept into the primary equity mar-ket. After a slow start to 1996 ~ the only notable offering in January was the sale of more stock in the oil and gas company Repsol by the Spanish government - a mountain of

issuance has built up.

As in 1995, virtually every government in Europe, including Scandinavia, is seeking to privatise state-owned assets, including those withdrawn last year because of a lack of demand. For example, Austria is trying again to sell stock in specialty steel producer Boher-Uddeholm.

Supply from the corporate sector is also buoyant, with offerings expected from Orange, the UK mobile phone company, Scania, Sweden's beavy truck manufacturer, and Grupo Sol, the Spanish hotels

company. Salomon Brothers estimates that primary equity issuance in Europe could reach \$6bn in the first quarter, \$20bn in the second, \$25bn in the third and \$30hn in the final quarter, assuming Deutsche Telecom's initial public offering happens is planned in November,

However, political factors, particularly in Italy, and investor indigestion could result in lower volumes than forecast. Bankers are encouraging potential issuers of equity to come to the market sooner rather than later to take advantage of the liquidity.

There is evidence that US investors are again looking at European and emerging markets after concentrating on their domestic market for most of 1995. US mutual fund industry data show that cash flows out of domestic and into international funds are running at about \$1bn a week, a level not seen since 1993.

The main concern for issuers of equity is that if they do not move fast, the liquidity will be soaked up by rival offerings. The pressure is on to get deals done before the summer," said one syndicate manager. "If there is a choice to

delay or execute with some anxiety, issuers are choosing the latter." Scania's approach to its flotation could be held up as a model for future issuers. After keeping the market guessing for months about whether the deal would happen (indeed, bankers, perhaps intentionally, sent out signals that the deal

ADORE BORDED HALL BEALS

was off only one month ago) the company then confirmed that it would go public, following up swiftly with the deal's timetable and structure. The Spanish government has also taken the fast track with

the success of the Repsol offering, it has proceeded quickly to the third sale of stock in Argentaria, the banking group, despite the fact that it will coincide with the country's

general elections. By contrast, the momentum behind the Orange flotation appears to have peaked too early and some say the drawn-out process may have allowed investors to ponder too long on the company's estimated valuations. "There has been too mnch airtima on Orange," says

one banker. Orange's camp rejects such suggestions, saying investors needed that time to get to know the company. "In October, the level of knowledge about Orange was zero; now the market understands it a lot better," says one adviser.

With the priority on speed. or at least getting issues away before Deutsche Telecom blocks the runway, it is likely that other important factors needed for a successful offering, such as careful pricing and a cohesive syndicate, will be sacrificed.

It will come as no great surprise, therefore, if some issues stumble as they race to mar-

Antonia Sharpe

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Gehe (Germany)	Lloyds Chemists (UK)	Pharmaceuticals distribution	€650m	All-cash bid raised
Carnival Corp (US)	Almours (UN)	Travel	6202m	Stake details finalised
Fairfax Financial (Canada)	Unit of Skandla (Sweden)	Insurançe	£190m	Skandle exits US reinsurence
Hochu Corp (Japan)	NCA (Australia)	Coal	£98m	Buying Agip's 25%
Chiron (US)	Unit of Hoechst (Germany)	Blotechnology	£77m	Initial 49% stake
Advent international (US)	Docter-Optils (Germany)	Industrial optics	£8m	Venture capital buy
Polypipe (UK)	Méridionale des Plastiques (France)	Building products	£2.5m	Deferred element
Stratton Group (US)	AOOT Segezhhabumprom (Russia)	Paper	n/a	Controlling stake
ING (N'tands)	Dunabank (Hungary)	Banking	n/a	Buying assets & business
Zeneca (UK/Sulker Unio (N'lands)	JV .	Horticultura	n/a	Zeneca spins off seeds

EMERGING MARKETS: This Week

The Emerging Investor / Mark Ashurst in Johannesburg

Drama spurs reform calls

the timing of the visit by Mr Hans Tietmeyer, the Bundes-bank president, to South Africa last week was intended to add gravitas to the reserve bank's calls for fiscal discipline ahead of the March 13 budget, then Dr Chris Stals, its governor, need not have hothered to

invite him. Mr Tietmeyer's arrival was eclipsed by the dramatic collapse of the rand, and the swift exodus of an estimated Ribn in foreign investment from the Johannesburg debt market. The drama marks an end to the extended honeymoon that has sustained the currency since the abolition of the Financial Rand last March and provides a graphic illustration of Dr Stals' off-repeated warnings about the fickleness of the surging capital inflows. These have increased four-

fold since 1994, the year of the first democratic election, and last year topped R20hn. Last week the rand fell victim to what one banker described as "almost hysterical volatility" in the currency market. After trading around R3.65 to the dollar for the past eleven months, it dived to record lows # R4.04, before stabilising around R3.89 late in the week. The equity market was largely shielded from the fall because of its poor liquidity and thin trade. The greatest impact was in the debt market, where yields on the benchmark

R150 12 per cent bond peaked

at 14.95 on Wednesday, their

highest level since last Octo-

her. Sales by non-residents

mushroomed by more than 45

times from R20m ou Tuesday

to R925m on Wednesday as investors suffered intermittent panic attacks

For traders raised in the relative insularity of South Africa's traditionally protected money markets, it was a sobering week. Dealers reassured by Dr Stals' forecasts, as recently as February 12, that rand exchange rates would remain stable in 1996, were confronted with the relative impotence of the reserve bank in a floating money markat where daily trade averages \$70bn a day. "In a developing nation that

is re-integrating into the global economy so fast, something like this was bound to happen sooner or later," commented Mr David Darosa, at Swiss Bank Corporation in New York, "In many ways the rand hehaved like the Mexican peso: it was a victim of speculative trading. In a situation of long rands and short yen, with a 15 per cent interest rate differential between two stable currencies, you expect some sharp adjustments.

The downward pressure on currencies in the emerging markets of East Asia, generally viewed as rivals to Johannesburg, tends to support the view that the rand's collapse was an attempt by global market makers to axploit disparities in

interest rates. By Friday, however, analysts had begun to dismiss comparisons with Mexico, citing a rally in the gilts market and a drop of 42 basis points in the benchmark R150 bond as evidence that the local economy was on a firm footing

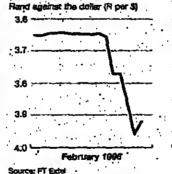
The turmoil has injected new fervour into the perennial debate over the future of exchange controls - which the reserve bank and the government have pledged to abolish. Official assurances that an easing of the controls was imminent are widely believed to have precipitated tha rand's demise. Union Bank of Switzerland, which reported previously that the rand was overvalued by between 7 and 10 per cent against the dollar, said on Thursday it did not expect the rand to weaken further.

Industrial counters rallied in tandem with improvements in the bond market: Iscor, the steel producer, traded 28.3m shares worth R95.7m in 180 deals on Thursday. A further boost in confidence

is expected when the Johannesburg exchange, the world's tenth largest by market capitalisation, embarks on a threemonth transition to screenbased trading on March 8. The move is the latest in a

series of reforms intended to attract foreign interest and improve liquidity - the single biggest disincentive to foreign investors considering a position in South Africa. About 7 per cent of equities are availabla for trade, while almost 80 per cent of stocks are held by the five biggest conglomerates and are rarely traded. meet this year's hudget deficit
The crucial issue remains target of 5.8 per cent of GNP.

South Africa



the easing of exchange con-

trols, which would improve liquidity by enabling the higgest institutions to restructure thair portfolios and invest some profits offsbore. This would also reduce stock prices, which are high in comparison to other amarging markets: current p/e ratios are 20 to 30 times higher than prospective 1996 earnings. According to Mr Barton Biggs, an analyst with Morgan Stanley, the ratio makes "no allowance for the

country risk or other disappointments." Economists have raised inflation forecasts for the year by 0.5 of a percentage point to 7.5 per cent. The risk of inflationary pressures caused by the weaker rand is keenly felt by the government, which last month announced it would not

FT/S&P indices in \$ terms (rebased) 100

92 --- 90 South Africa February 1996

The rand's sensitivity to fur-

ther capital outflows will be the principal criterion in timing the further relaxation of "It is a small currency, and the market is liquid at the best of times," observed one currency trader. Proponents of a big bang approach to abolition argue that the week's events have strengthened the case for

> immediate relaxation of exchange controls. "This is the wrong time to be cautious. For as long as there is any form of capital control, any mention of any kind of change makes the likelihood of destabilising finctuations much greater," warned Mr Dar-

> Although the currency has stabilised, the rush of foreign currency purchases from importers alarmed by its collapse may not be over and

> > Philip Gawith

there is a risk of continued downward pressure on the rand in the run-up to this year's budget. Dr Stals and Mr Chris Liebenberg, the finance minister, will also be conscious that, in spite of efforts to bury the link between South Africa and political risk, investors are highly sensitive to the health of the 77 year-old president. In a sense, traditional concerns over political risk have been superseded by worries over what could more accurately he

termed personality risk. Although Mr Mandela's colleagues in the African National Congress-dominated cahinet, including his most likely successor, deputy-president Thabo Mbeki, share his commitment to fiscal discipline they have yet to win the confidence of international investors.

Battered traders seeking to restore their confidence will take their cue from gold in the weeks ahead. Last week, the early stages of the rand's collabse were compounded by an end to a spate of speculative gold trading as bullion slipped below the benchmark \$400 an ounce level. The weaker rand has renewed aupport for the metal, in anticipation of increased demand from foreign buyers.

Analysts cited the improved

earnings of the Mexican gold sector in the wake of the 1994 peso devaluation as grounds for bullishness. "The good news is tempered only by the tendency of Sonth African mines to commit in the forward sales markat," said one analyst. "It takes a bit of the shina off."

Cyprus pauses after its frenzy

By Kerin Hope in Athens

This month's frenzied trading on the Cyprus stock exchange was triggered by small investors, who are now outpacing the Greek and UK institutions that helped to launch the market'a bull run last year.

To the relief of Nicosia's overworked stockbrokers, the market took a breather last week. The Cisco all-share index closed at 505 on Thursday, down 3.1 per cent from an all-time high of 521.7 two weeks ago. Because of the beavy volume of trading, Friday's session was cancelled.

A spate of mergers and acquisitions in the Mediterranean island's insurance and retailing sectors sent shara prices soaring. A one-for-10 bonus issue hy Bank of Cyprus, the leading blue-chip stock, added to the market's euphoric mood.

Daily trading volume surged last year from about C£500,000 (\$100,000) in January to over C£1.5m in December, as Greek Cypriot investors switched funds from savings deposits into equities. This month volume doubled again to over C£3m daily.

The latest rise came with the announcement by Hellenic Bank, the island's third largest, that it was acquiring the local operations of Barclays Bank in Cyprus. Hellenic reportedly paid C£12m for the the UK bank's branch network on Cyprus, raising its share in the fiercely competitive market to

about 14 per cent. Tha takeover of Zako, a listed chain store, by F.W. Woolworth, the island's largest retailer, took the market by

surprise, with shares in both companies jumping when the deal was made public. Ms Maria Jacovidou of Cyprus Investment and Securities Corporation says: "Small ered the stock exchange. At the sama time, regulatory changes have made it easier

Under the government's policy of gradually opening Cyprus to foreign investment, now hold up to 30 per cent of listed companies' equity. Local stockbrokers estimate that for aign investors, mainly from Greece and the UK now account for more than 10 per

for overseas investors to join

cent of daily transactions. With the average price earnings ratio at around 15, the market still has room for growth, according to local brokers. Liquidity remains adequate, though only some 20 of the island's 44 listed companies are actively traded.

Analysts expect share prices to consolidate further during the next few weeks, but forecast another rise in April when the informal over-the-counter market is transformed into an official stock exchange.

CURRENCY MARKETS Dollar faces a mixed outlook

Last week was a poor one for the dollar. Four successive days of intervention from the Bank of Japan had a negligible

. Much more of this and inves-

tors will be forced to reassess the bullish scenario for the dollar, which is still the dominant market view. The starting point for the dollar this week will be the

feedback from the first meet-Aing, held last Friday, between President Clinton and Mr Ryutaro Hashimoto, the Japanese prime minister. Good relations will help the dollar, while tensions are likely to weigh on it. The first quarter Tankan survey will be closely watched, in case it lends any weight to recent fears that Japanesa interest rates might rise sooner than was previously expected. Another factor will be the Bank of Japan. Repeated,

unsucceasful intervention, runs the risk of being ignored by the markets. Indeed, it can actually sour tha mood further. On the other hand, traders will be wary of the Federal Reserve releases due in tha US and Europe. The dollar's rally dur-ing tha latter part of January was fuelled in part by the view that European growth was slowing sharply, which would push interest rates lower.

German inflation data will provide the backdrop to the Bundesbank council meeting on Thursday, where there is little expectation of a cut in rates. Arguably more important for markets will be the French GDP and unamploy-

and Bundesbank joining in.

Also important for the dollar will be the plethora of data

ment figures.

Weak data will confirm susby 9
picions that growth is slowing.

making it less likely that France will meet the Maastricht convergence criteria. If such news casts renewed doubt on the prospects for a single currency, it will probably boost the D-Mark

The pound will also be in

focus today as parliament debates the Scott report. A defeat for the government would be sure to jangle foreign investor nerves. Eyes will also be on the South African rand, which bounced back at the end of last week after earlier falling

Trade-weighted indices

		Week on week		Month on month		Year to dat	
Index	23/2/98	Actual	Percent	Actual	Percent	Actual	Percen
World (395)	157.62	-1.07	-0.67	-1.69	1.06	+10.06	+6.8
Latin America							
Argentina (22)	94.81	-\$.05	-3.13	-7.02	-6.91	+1.83	+1.97
Brazil (23)	220.19	-2.12	-0.98	+11.76	+5.64	+34.09	+10.32
Chile (16)	183.31	+3.21	+1,78	-6.84	-3.60	-12.35	-6.31
Colombia (14)	166.06	-1.59	-0.95	+12.96	+8.47	+1.84	+1.12
Mexico (23)	79.00	+1.09	+1.39	-4,70	-5,61	+5.41	+7-39
Peru(14)	1,128,60	-39.58	-3.39	+17.82	+1.60	+59.65	+5.58
Latin America (112)	133,22	-0.65	-0,49	-0.86	-0.64	+10.08	+8.12
Europe					•		
Greece (18)	107.63	+1.06	+1.00	+1.81	+1.71	+9.66	+9.86
Portugal (20)	129.18	+2.77	+2.12	+4.89	+3.94	+12.67	+10.86
Tuskey (26)	104.42	-0.73	-0.69	+2,30	+2.25	+21.62	+26.12
South Africa (32)	159.10	-3.55	-2.1a	-13.90	-8.03	+5.73	+3.73
Europe (96)	129.22	-1.79	-1.37	-7,55	-S.52	+7.69	+6.33
Asia							
China (24)	49.44	+0.14	+0.29	+1.85	+3.88	+9.11	+22.60
Indonesia (32)	155.68	-0.74	-0.48	+0.27	+0.17	+17.04	+12.29
Korea (23)	134.39	-0.09	-0.06	+6.16	+4.81	-2.52	-1.84
Malaysia (24)	243.68	-0.05	-0.02	+4.05	+1.69	+12.32	+7.18
Pekistan (14)	99.17	+0.08	+0.08	+23.88	+31.00	+25.58	+34.76
Philippines (14)	299.14	-0.20	-0.07	+8.12	+2.79	+39.97	+15.42
Theliand (25)	263.60	-9.75	-3.57	-8.89	3.26	+11.72	+4.65
Talwan (31)	125.05	+2.15	+1.75	-2.1a	-1.71	-5.7B	-4.42
Asia (187)	214.97	-1.07	-0.50	+1.79	+0.84	+11-93	+5.88

NEW YORK

WORLD BOND MARKETS: This Week

The US bond market has US passed a miserable week. By Friday'e close, the yield on the long bond had risen above 6.4 per cent. Unsettling the market was the Congressional testimony by Mr Alan Greenspan, chairman of the Federal Reserve.

The market took fright on Tuesday, believing him to have said that economic growth for 1996 would be strong enough without a further interest rate cut. His attempt to clarify his position on Wednesday gave the market only scant comfort.

Mr John Lipsky, chief economist at Salomon Brothers, expects economic data due in the next couple of weeks to be critical to the movement in bond prices. Statistics such as the PPI. CPI and February employment data, as well as the National Association of Purchasing Management's index, should

by now be largely free of

distortions created by the

severe January weather.

government shut-down and the

Benchmark yield curve (%)* 23/2/98 --- Month ago -10 years 20

Maggie Urry

Lipsky expects the data to be benign for the market, opening the way for further rate cuts. Tomorrow will see the PPI for January, which is forecast to have risen by 0.2 per cent, excluding food and energy according to MMS International. Wednesday's CPI figure is expected to show a similar rise in the core rate. The February NAPM index. due Friday, is forecast to have risen from January's 44.2 per cent to 46 per cent.

UK gilts are likely to trade nervously today when report into sales of military

LONDON

parliament dehates the Scott equipment to Iraq. The nervousness will continue tomorrow if the government loses the motion and is forced to call a vote of confidence.

"The political situation is a big negative factor for gilts,' said Mr Don Smith, UK economist at HSBC Markets. Rven if the government wins the motion, its reduced majority has increased the risk of holding gilts.

The nervousness should rule out any narrowing in the yield spread between gilts and German government bonds, which at the end of the week stood at about 168 basis points.

Mr Simon Briscoe at Nikko said the second drag on gilts this week is supply. The Bank of England is set to auction £3bn of 25-year 8 per cent gilts on Wednesday. Although Mr Briscoe expects the anction to go well because of the natural demand for very long-dated

Antonia Sharpe

UK Benchmark vield curve (%)* --- Month ago -6.80 "All vields are market convention.

paper, it will provoke some discussion about funding in the rest of the year. There are no important economic data due this week. In any case, data are less likely

to influence the market as the

political risk grows ahead of the next general election. On a brighter note, hopes are high that next week's meeting between tha chancellor and the Bank of England governor will produce a quarter-point cut in the base rate to 6 per cent.

FRANKFURT

Bond traders breathed a huge sigh of collective relief when January's M3 figures finally arrived on Friday. Since the Bundesbank had said they would be distorted, because too short a period has elapsed this year for the annualised rate to be meaningful, the outcome of 8.4 per cent (based on the fourth quarter of 1995) was regarded as acceptable. German bond prices thus moved ahead smartly.

Germany

7.00

6.00

5.00

4.00

10 yrs 20

Mr Christoph Weil, economist

further rate cuts were likely.

at Commerzbank, said no

wait and see what February brings. The basic M3 trend remains moderate, with January showing only a 3 per cent rise against the last quarter of 1994. With the economy weak and wholesale and producer prices edging lower in January, many economists think a further interest rate cut inevitable

The Bundesbank will now

The M3 data did not remove that expectation. Dresdner Bank said "the fundamental outlook for a further cut in official interest rates is still favourable".

about the impact of the UK

fought with the spread of gilts

markets to Germany have widened since the last election,

hit 200 basis points over Ger-

many by the election. The UK

Germany compared with other

there is a relatively modest

political risk in the gilts mar-ket. He said: "As I understand

it, Labour will not change the

policy framework, and the

macroeconomic policy will be

Labour party wins. Domestic

ing of the election."

while gilts have tightened. Mr Mark Fox of Lehman Andrew Fisher

Long-term rates are expected to see further upward pressure this week due to prospects of Benchmark yield curve (%)" an economic recovery. Market 23/2/98 - Month ago = participants are focusing on the tankan - the Bank of Japan's quarterly survey of business sentiment – which will be released on Friday. Most analysts expect business confidence to have improved, and this could prompt a sell-off in the already

fragile market. Industrial

production data for January

also prompted profit-taking.

At the short end, the Bank of

TOKYO

Source: Mentil Lynch scheduled to be released on Wednesday could also affect investor confidence. It said the central bank Participants are also would wait for at least another increasingly nervous about set of M3 figures before cutting comments on interest rates by the discount and Lombard politicians. Worries have rates - now 3 and 5 per cent spread following a recent respectively - again around observation by Mr Wataru the end of the first quarter or Kubo, the finance minister, of the start of the second. Mr the negative impact of low Julian Jessop, economist at interest rates on pensioners HSBC Markets, said a income. Remarks last week by half-point cut in the discount Liberal Democratic Party rate was likely by spring, but members about interest rates

Benchmark visid curve (%) 29/2/96 .- ... Month ego 200 5 Years cer bland Lynch

Emiko Terazor

Japan is expected to try and keep money market rates from rising, but fundraising by banks before the March year end is likely to remain strong pushing up three-month rates

Meanwhile, the yen's strength is expected to: continue, adding to the upward pressure on rates. The Bank of Japan has been trying to counter yen purchases by US hedge funds by buying dollars and is expected to continue to do so this week.

Government bonds

Gilts could benefit from a delay to Emu

There are just 24 trading days before European heads of government meet on March 29 to review the Maastricht Treaty at the inter-governmental conference (IGC) in Turin. Whatever they say about the process of monetary union will be analysed carefully, and any signal that European monetary union (Emu) might be delayed is likely to produce volatility in European bond markets.

One of the few markets likely to stand aloof from such turbulence could be that of UK government bonds

An analysis of 10-year swap yield spreads (see table) shows that convergence is not priced in for the UK, which shows a 126 hasis points difference against Germany at the scheduled start of Emn in 1999. This auggests investors do not expect the UK, which with Denmark has negotiated an "opt-out" from Emu, to converge with Germany.

As the table shows, it is possible to identify four groups of countries, ranging from those that market pricing suggests are the core and most likely to join Emu, through to the

"high-yielding" bond markets, which are least likely to join. Many analysts would argue that forward rates are not good predictors, particularly because of mathematical effects stemming from the steepness of the German yield curve. But they do allow investors to take a view on the likely fall-out from events and the impact on the bond markets. Convergence is obviously priced into French bonds which puts that market at risk in the event of a delay to Emu. However, in the long term, gilts could benefit from any turbulenca stemming from a delay in Emu. "The IGC could expose the full horror of the difficulties of Emu and that could leave gilts looking quite attractive," said Mr Kevin Adams, gilt strategist at BZW. "If we get a postponement, or it goes ahead with the peripheral countries excluded, the knee-jerk reaction would be that those countries no longer have the incentive for fiscal austerity, but nothing would have changed in the UK so there might be flows out of

SPREADS	TO GERM	ANY
	Feb 15 1996	Jan 4 1999
Core		
Netherlands	-2	-7
Austria	+5	+5
France	+22	-1
Outer-core		
Belglum	+25	+38
Ecu	+70	+57
)reland	+167	+129
Opt-outs		
Denmark	+103	+107
UK	+162	+126
High-yield		
Finland	+135	+120
Sweden	+269	+243
Italy	+391	+312
Spain	+340	+280
Portugal	+292	+228

Nevertheless, despite the prospect of the UK Conservative Party finding it easier to paper over any cracks with its Euro-sceptic wing, gilts would probably suffer in the immediate aftermath of Emu delay.

"There is always a danger in the short term, perhaps on the day of the announcement, that gilts will perform hadly because they have this knack of moving in tandem with

whichever market is moving the worst," said Mr Simon Briscoe of Nikko Europe.

"But the IGC could prove to he a turning point for gilts. There are very few countries around the world that have reasonably sensible independent policy frameworks with a coherent package of economic measures, and the UK is one of them. I would expect gilts to perform relatively well."

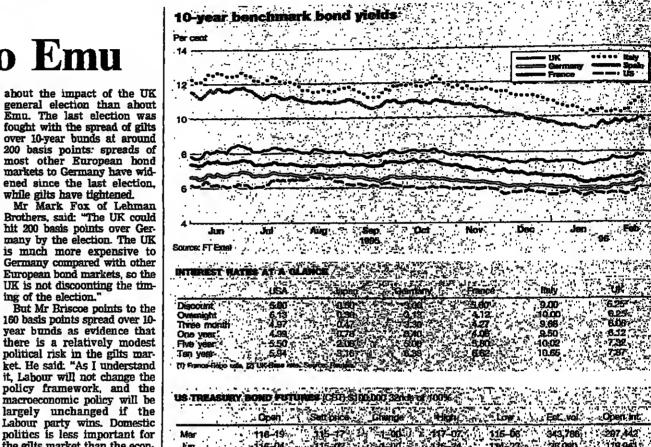
He said the spread over 10year bunds could tighten from its current level of around 160 basis points to about 120 points within six months, as gilts could benefit from the "safeaven" argument in an Emu delay, more good news on the economy and inflation, and further interest rate cuts.

A delay to Emu might weaken the resolve of the "high-yielding" countries to adhere to the Maastricht criteria, hut Mr Jan Loeys, of J. P. Morgan, said: "The UK's motivation on fiscal and monetary policy has very little to do with Emu, so gilts might be an island of stability for a while."

However, investors might be

forgiven for thinking more

the gilts market than the economy and Emu." Martin Brice



115-17 (24 -1-00) i 317-07 115-02 (47-000) 116-24 115-02 1-00 116-24 115-30 114-48 1-16 05

SIEMENS

Notification of Dividend

The Annual Shareholders' Meeting of Stamens AG on February 22, 1996, has resolved to distribute the net Income of DM 727,846,067 for the financial year 1994/95, and has approved the payment of a dividend of DM 13 pershare of DM 50 par valua. The amount attributable to treasury

those countries into gilts."

The following payment will be made against Dividand Coupon No. 40 at the paying agent listed

Per share of DM 50 par value less 25% withholding tax less solidarity surtax (7.5% of the withholding tax)

DM 13.00 DM 3.25 DM 0.24

DM 9.51

REUTERS PAGES: ATGG-H-I TELERATE PAGES: 17890-1-2

GDF (USD bn) 95e

1-Month Athlbor (%)

GRD/USS

15.7

11.3/12.7

26/25

Per Capita Income (USD)

Infetion Rate (% Y.O.Y. January 96)

12 Month T-bill (%, end of January Issue)

A.S.E. Market Capitalization : 23/2/96 (USD tm) 17.80

(POs & Rights Issues (in USD m) 1 Jan 96 -23 Feb 96 45.83

In accordance with the U.K./German Double Taxation Treaty of November 26, 1964, as amended in the protocol of March 23, 1970, the German withholding tax togethar with the solidarity surtax have been reduced to a total of 15% for shareholders resident in the United Kingdom. To claim this refund, shareholders must submit an application to the Bundesamt für Finanzen, Friedhofstr. 1, D-53225 Bonn, by December 31, 2000.

In the United Kingdom, payment will be effected through the following bank:

SIGMA SECURITIES S.A. - MEMBER OF THE ATHENS STOCK EXCHANGE

ASE INDEX

Yearly High

%Chg (Prev. Wk)

%Chg (Prev. Wk)

1 Y Wk Avg. (USD m)

WEEKLY VOLUME (USD m)

Paying Agency, 2 Finsbury Avenue, London EC2M 2PP.

TEL: (301) 3311456 - 3245674 FAX: (301) 3252241 - TELEX 210733 ATRA GR

ATHENS STOCK EXCHANGE Feb 16th - Feb 23rd 1996

P/E 95e (after bor)

P/E 94 (after tex)

P/CE 95e/94

P/BV 95e/94

EPS GROWTH (%) 95e

Div. Yield (%) 95e/94

Berlin and Munich, February 22, 1996 Siemens Aktiengesellschaft Tha Managing Board

-0.52

898.44

111.95

-8 64

129.77

CS FIRST BOSTON GROUT

CS First Boston Finance, B.V.

US\$200.000.000 Guaranteed subordinated floating rate notes August 2003 Guaranteed on a subordinated basis by

CS First Boston Group, Inc. Notice is hereby given that for the interest period 26 February 1996 to 27 August 1996 the notes will carry an interest rate of 5.5% erannum. Interest payable on 27 August 1996 will amount

to US\$27.96 per US\$1,000 note and US\$279.58 per US\$10,000 note and US\$2,795.83 per Agent: Morgan Guaranty Trust Company

JPMorgan

International bonds Globals come under renewed scrutiny

The Inter-American Devel- to raise higher volumes of debt some 75 per cent was said to five-year bonds; having roadbond, expected this week, has brought the "global" concept under renewed scrutiny - espe-cially in the light of recent deals which failed to live up to

investors' expectations. Pioneered by the World Bank in 1989, global bonds have been particularly favoured by sovereigns and supranational agencies, although some corporate borrowers also issue them. What differentiates them

from eurobonds is the fact that they are registered with the US Securities and Exchange Commission and can be sold to all classes of US investors; eurobonds cannot be sold into the US initially unless they are registered under SEC Rule 144a, when they may only be sold to qualified institutional

investors. When the global concept was launched, it promised the best of all worlds to issuers and investors alike: being marketed simultaneously to three geographical regions - Europe, the US and Asia - competition for the paper would create price tension which would allow a borrower to achieve a finer pricing than if it were to tap, say, the US domestic Yan-kee market, as well as establishing a price at which the

issue would clear. The larger pool of buyers was seen to enable borrowers base, while 24-hour trading would ensure liquidity and tight bid-offer spreads, giving the bonds a benchmark status that would further enhance the

issuer's profile. In the media and the mar-kets, global bonds acquired the sort of visibility and cachet of which many issuers could only

dream. "Many borrowers have hig egos - they lika to be sold the ldea of a global which will give them a world-wide presence and raise their profile in the market," said a syndicate man-ager. "They all want to be like the World Bank."

However, many global bonds haven't lived up to their promise in terms of placement and performance, he said.

The global bond concept is quite open to ahuse and in some cases it'a been used as a marketing gimmick. I can count on one hand the number of globals in the last few years that were aggressively sold in the three time zones and are still actively traded there.' For example, the hulk of dollar-denominated asset-backed

securities, although nominally global bonds, are usnally placed in the US. Moreover, "some issues are more like dressed-up Yankees".

he said, citing Argentina's recent \$1bn offering of which

Still, most traders agree that shoddy execution, rather than their global status, is responsible for the poor performances

of some bonds. "If you take account of market conditions and go through the Whole roadshow and bookbuilding process, you will still get exceptional results for issu-

ers and investors," said one syndicate head. "It's not so much that people think globals are hetter than eurobonds they feel the negotiated process is the best to ensure that an issue will be priced correctly and hold its value."

When it doesn't, investors get disenchanted - as was the case with some recent globals whose performanca was further hurt hy deteriorating sentiment in the dollar bond mar-

While solid pre-marketing got Finland's \$1bn 10-year bond off to a strong start, it came under pressure from a flood of supply in tha 10-year sactor, causing its 36 basis point spread over Treasuries to

widen by two points. Close on its heels, a tightly priced \$1.5bn deal for Province of Ontario hit tha 10-year sector after little pre-marketing and its spread also widened by two basis points, to 50 points, as a result of over-supply

issue attracted weak demand elsewhere and soon came in for profit-taking by short-term accounts, causing the spread to widen from 410 basis points at launch to almost 500 points.

"The disappointing performance of a few recent globals may call into question the validity of the global concept," conceded one syndicate manager in London.

Nevertheless, he said: "The concept remains excellent the only problem is bad execution, which often involves banks telling borrowers what they want to hear in order to get the mandate, and horrow-

ers wanting to helieve it." Meanwhile, the IDB is on track for a successful global issue after a week of international roadshows and investor soundings - unless underlying market developments throw a

spanner in the works. The agency's most inspired decision may have heen to appoint as one of its joint lead managers a hank that has never before underwritten s

mainstream global bond, SRC Warhurg. "The IDB and SBC Warburg will want to make absolutely sure the bond performs - it'a a first for both of them," said a

Conner Middelmann

THE EUROPEAN WARRANT FUND ocièté d'Investissement à Capital Variable (in liquidation) Registered office: 6, route de Treves, L-2633 Senningerberg

R.C. Luxembourg No. B 32 792

Nodce is hereby given that an **Extraordinary General Meeting**

of shareholders of The European Warrant Fund will be held at the registered office, 6, route de Trèves, L-2633 Senningerberg. on Wednesday 6 March 1996 at 15:00 hours with the following

1. To hear the report of the liquidator;

2. To appoint an auditor to the liquidation; 3. To fix a date for the final liquidating meeting.

There is no quorum at this meeting and resolutions are passed by a simple majority of the votes cast.

Shareholders who are not able to attend the captioned extraordinary general meeting, are requested to execute a power of attorney and return it to the registered office prior to the date of the meeting.

By order of the Board of Directors February 1996



Republic of Austria

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US\$350.000.000 Floating rate ootes 1997

Notice is hereby given that the notes will bear interest at 5.26953% per annum from 26 February 1996 to 28 May 1996. Interest payble on 28 May 1996 will amount to US\$13.47 per US\$1,000 note, US\$134.67 per US\$10,000 note and US\$1,346.66 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company **JPMorgan**

ABN AMRO BANK N.V.

ABN-AMRO

US Dollars 150,000,000

Subordinated Floating Rate Notes 1992 due 2002

In accordance with

terms and conditions of the Notes, notice is hereby given that for tha interest, pariod from Februery 26, 1996 to August 26, 1996 the Rate of Interest has been fixed at 5.08203 per cent. end that the interest payable on the relevant Interest Payment Date, August 26, 1996 against Coupon No. 8 in respect of US\$ 5,000 nominal of the Notes will be US\$ 128.46 end in respect of US\$ 100,000 nominal of tha Notes will be US\$ 2.569.25.

ABN AMRO BANK N.V.

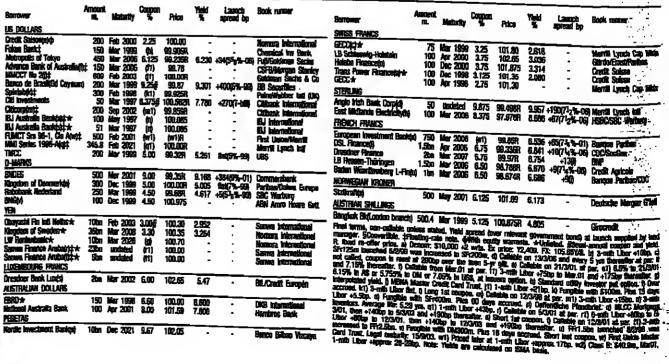
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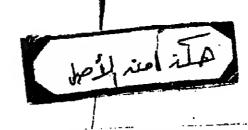
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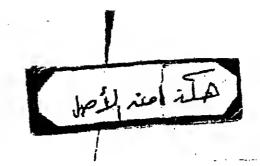


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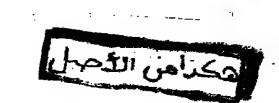


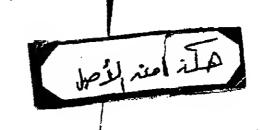
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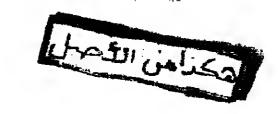
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MONDAY

MPs debate Scott report

In London, a parliamentary debate on the findings of Sir Richard Scott's inquiry into the arms-to-Iraq affair is set to test the loyalty of Tory backbenchers. The government insists it has been cleared on the "two central charges" - that ministers secretly authorised the sale of weapons to Iraq and then intentionally misled parliament. However, the opposition insists the government is distorting Scott's findings - which were that MPs were misled and ministers were "at fault". A number of Conservatives privately agree but are expected to toe the government line rather than risk another embarrassing vote of confidence.

African unity conference

Foreign ministers from countries of the Organisation of African Unity meet in Addis Ababa for their annual conference. The main topic is expected to be the proposal by the UN secretary-general, Boutros Boutros-Ghali, for a rapid deployment force of 25,000 troops ready to intervene in Burundi.

EU foreign ministers meet

The most divisive issue facing EU foreign ministers at the general affairs council meeting in Brussels is the proposed trade pact with South Africa. Whether to give the EU Commission the go-ahead to negotiate with South Africa on a wide-ranging trade agreement has split member states because some, such as France, fear it could set a precedent. Similar disagreements are likely when ministers discuss a mandate for negotiations with Mexico. Greece's move to block agreement on an aid package for Turkey will also be debated.

Menern visits France



The Argentine president. Carlos Manem, arrives in Paris for a three-day visit receded by a shipment to France of two Argentine horses for President

Jacques Chirac. The horses, a gift from Mr Menem, are said to be in fulfilment of a promise made in 1991 when Mr Menem presented Mr Chirac, then mayor of Paris, with a set of silver spurs, vowing that the horse would follow when Mr Chirac became president.

Democracy In Sierra Leone

While rebels in Slerra Leone are chopping off some voters' hands and heads, the west African state is to bold its first presidential election for 10 years. One of the world's poorest countries, the former British colony remains unstable after a military coup toppled Captain Valentine Strasser last month and installed his deputy, Julius Maado Bio. The new regime had asked delegates at a convention to postpone the elections until after peace talks with the Revolutionary United Front. whose leader, Foday Sankoh, promised the



On Thursday, US forces leave Halti – but President Bill Clinton will be looking out for Cuba after it shot down two unarmed planet

talks if the elections were delayed. Delegates voted to go ahead. More than 10,000 people have died in the civil war.

Chun Doo-hwan on trial

South Korea's former president, Chun Doo-hwan, is to go on trial for corruption. He is accused of accepting as much as Won950bn (£790m) in corporate bribes during his 1980-1988 term. Businessmen whn allegedly paid Mr Chun will not be charged because the statute of limitations for their activity has expired. The trial may be delayed if the court decides that Mr Chun bas not fully recovered from the effects of a one-month hunger strike.

Take That

Robbie Williams, who broke teenage hearts by leaving the UK pop group Take That, appears in court on the first day of his case against RCA, the band's record company. Williams, who hopes to negotiate with other labels, claims Take That's contract limits free trade.

Berlin film festival prizes

The 1996 Berlin Film Festival presents lts prizes. Hollywood favourites for the Best Film Golden Bear include Terry Gilliam's time-travel fantasy Twelve Monkeys and Tim Robbins' death-penalty drama, Dead Man's Walking. Praised oriental movies include Mahjong, from Taiwan, and The Sun Has Ears, from China. Britain and Taiwan joined talents for the popular opening film, Ang Lee's Jane Austen adaptation Sense And Sensibility.

World Cup: Paldstan v Netherlands, Lahore, Pakistan; and Zimbabwe v Kenya, Patna, India. Matches in groups A and B continue to March 6.

ECONOMIC DIARY

Public holidays

Cyprus, Greece, Kuwait.

TUESDAY

Dole faces tough primaries Three of this week's four US Republican primaries take place in Arizona, North and South Dakota - with that in South Carolina on Saturday. Bob Dole, who is badly in need of winning, faces tough competition from Pat Buchanan in

conservative Arizona and South Carolina where religious conservatives are influential – and possibly even in the Dakotas. Lamar Alexander, from Tennessee, also must show some strength in his native south to prove his viability as the establishment alternative to Mr Dole.

War crimes hearing



The UN criminal tribunal for former Yugoslavia holds a public hearing in The Hague against Milan Martic, a rebel Croatian Serb leader accused of cluster-bomb

attack on Zagreb. Mr Martic, who is believed to be in Serbia, is charged with war crimes relating to two rocket attacks in which seven civilians died. Although he cannot be tried in his absence, witnesses may be called and an international arrest warrant issued.

Christopher in Latin America The US secretary of state, Warren Christopher, arrives in Chile from El

Salvador as part of a tour of Latin America and the Caribbean (to Mar 4). He flies on to Argentina, Brazil and Trinidad and Tobago. It is the first extended visit to the region by a US secretary of state for seven years and marks a recognition of

the spread of democratic politics and

free-market economic policies.

Public holidays Dominican Republic.

WEDNESDAY

Palme murder mystery

A sombre Sweden will mark the 10th anniversary of the murder of Olof Palme, the former prime minister. The police are no closer to solving the mystery of who gunned down Mr Palme as he walked home with his wife from the cinema. Theories about the killing have swung from a lone madman to a conspiracy by right-wing extremists within the police force. Not even the murder weapon has been found.

FT Survey FT Exporter.

THURSDAY 29

Summit of Caribbean leaders The impact of the North American Free Trade Agreement on the economies of the Caribbean will be discussed by the prime ministers and presidents of the 14-nation Caribbean Community (Caricom) at a two-day summit in Georgetown, Guyana. Two of the larger members - Jamaica and Trinidad and Tobago - want to be listed

Dec global trade

for accession to Nafta. Other members fear this will harm the community's integrity. Caricom claims that in becoming more competitive since joining Nafta, Mexico is taking Caribbean market share in Canada and the US.

US forces out of Haiti

The last US members of a UN force in Haiti leave, 18 months after the US intervened to reinstate the exiled president, Jean-Bertrand Aristide. The UN is expected to agree to a Haitian request for its remaining 4,000 members - mainly Canadians and Pakistanis - to stay until September to help maintain law and order and to train a new constabulary.

UK-Argentine oil advance

Argentine and British delegations meet in Buenos Aires for two days of meetings over the Falkland Islands. They are expected to establish formally a joint commission for oil exploration and development in the south Atlantic, as envisaged in an accord last September.

NTT break-up proposal

A government advisory panel is expected to epprove plans to split Nippon Telegraph and Telephone, Japan's telecommunications monopoly and the world's largest company, into one long-distance and two regional carriers. The break-up, which is fiercely resisted by NTT management and unions, would be to stimulate greater competition in the domestic telecommunications market. However, the plan may not meet government approval

FRIDAY

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EU-Asia summit opens Government leaders of the 15 nations of

the European Union and 10 Asia countries meet in Bangkok for two days of talks on trade, security and how to increase Europe's presence in Asia. The Association of Southeast Asian Nations is joined by China, Japan and South Korea. The EU would like it to be easier for European manufacturers to invest in Asia and wants to enlist Asia's co-operation in enhancing the role of the World Trade Organization. It also wants telecommunications to be liberalised and nuclear proliferation prevented. Asian countries seek better access to European markets, clear support for Chinese membership in the WTO and a European security and political presence in the

Mastering Management

region to balance US dominance.

The FT's 20-part series continues in the UK edition with part 17. Non-UK readers can take out a subscription. Contact: PO Box 384, Sutton, Surrey, SM1 4XE, UK. Tel: +44 181 770 9772, Fax: +44 181 643 7830.

FT Survey The Repo Market.

-£567m

Public holidays Korea, Paraguay, Uruguay.

SATURDAY

Elections in Australia

Australians go the polls to elect a new federal parliament. The Labor party has been in power for 13 years and there are signs that voters seek a change. However. the opposition - a coalition of the conservative Liberal and National parties has offered few distinguishing policies its lead in the opinion polls, which ones stood at 10 percentage points, has helver during the campaign.

Forestry conference



The World Commission on Forestry and Sustainable : Developmentwhich was set in after the Earth Summit in Brazil will hold public hearings in

Jakarta, Indonesia, involving 200 participants representing groups with diverse stakes in the world's forests (to Mar 8). The aim is to lay the groundwork for a common policy on the sustainable use and management of forests. The //premise is that forest development and environmental preservation are compatible goals.

Rugby union

Five nations' championship: Ireland v Wales, Dublin; and Scotland v England, Edinburgh.

Public holidays

Ethiopia, Georgia, Libya, Myanmar.

SUNDAY

Aznar polsed in Spain

General elections take place in Spain which are expected to bring the centre-right Popular Party to power, ending 13 years of socialist governments-headed by the prime minister, Felipe González. Although opinion polls put the PP leader, José Maria Aznar, in front, his advantage only ranges between 5 and 10.
percentage points. This could deny the centre-right an overall majority in parliament. Mr Aznar says Spain requires an austere, efficient and honest government to wrestle down the fiscal deficit, reduce unemployment and root out corruption from public life.

Ballot in Benin

Benin's old guard takes on a former World Bank official in its presidential election. Mathieu Kerekou, the Marxist who led the tiny west African state for 18 years until 1991, is running against the incumbent Nicephore Soglo. Mr Soglo reversed Benin's disastrous economic decline by applying the bank's structural adjustment formula. The result: GDP growth of about 6 per cent last year.

Compiled by Simon Strong. Fax: (+44) (0)171 873 3194.

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Other economic news

Monday: German cost of living data this week are expected to show that inflationary pressures remained subdued this month in the west German

states. Tuesday: Economists expect a batch of US data to show that US retail sales fell last month elthough consumer confidence is thought to have rebounded in February. US producer price inflation is forecast to have slowed slightly last month.
Wednesdey: French gross

domestic product is forecast to have contracted in the fourth quarter of last year. US consumer prices are expected to have accelarated slightly between December and January while the country's visibla trade gap is thought to have widened in December.

Thursday: The French unem-ployment rate is expected to have remained stable at close to 12 per cent last month. UK figures should show a widening of the trade gap with the rest of the world in December, although that with countries outside the European Union is axpected to have narrowed slightly last month. Friday: Italian gross domes-

tic product is thought to have contracted in the fourth quarter of last year.

ACROSS Putting a couple of grand in his dish....(6)

....said what ruler did was wet (6)

8 Therefore luncheon voucher taken by Abraham is free (7)

9 In schools it's taught a broken leg needs support (7)
11 Travellers can start eating in moving trains (10)

Title of ballad nld Penny included (4)

Which guides the local tim-ber supplier (5)

arranged for senior citizens

10)
23 Judge taking part in rare broadcast (7)
24 Is next to enter during the commercials (7)

25 Elegant groom said why (6) 26 Hint about leading Norwegian's dazed state (6)

iron (5)

(5)

14 Grating in an Indian sink is

Statistics to be released this week

UK

Relegand	Country	Statistic	Forecast	Actual
Mon	Jepan	Dec ov'all pera'l consumer expend**	-1.5%	-2.4%
Feb 26	Japan	Jan department store sales**	-	1.8%
	France	Jan consumer price indx fni*	0.3%	0.1%
Tues	US	Jan producer price indx	0.4%	0.5%
Feb 27	üs	Ditto ex-food & energy	0.2%	0.1%
	us	Jan retail seles	-0.3%	0.3%
	US	Jan retail sales ex-autos	штећ	0.2%
	US	Feb consumer confidence	88.0	87.0
	Japan	Jan retail sales"	2.0%	-2.5%
	Japan	Jan industrial production?	1.0%	0.8%
Wed	US	Jan consumer price indx	0.3%	0.2%
Feb 28	US	Ditto ex-food & energy	0.2%	0.1%
	US	Dec trade: goods & services	-\$7.0bn	-\$7.1bn
	US	Ditto, exports (balance of payments)	\$67.7bn	\$67.4bn
	US	Ditto, imports (balance of payments)	\$74.9bn	\$74,4ba
	US	Jan existing home sales	-	3.91m
	US	Jan real earnings	- 7.1-	-0.2%
	US	Dec business inventories	unch .	0.1%
	Japan	Jan shipments†		0.7%
Thur	US	Feb Chicago Ass Purchasing Mgrs†		50.9%
Jan 29	US	Feb agricultural prices	-	1:9%
	US	initial claims w/e Feb 24	880,000	•
	Japan	Jan construction orders**	-	6.9%
	Japan	Jan housing starts"	3.9%	4.8%
	UK	Jan ex-EC trade	-£800m	-£613m

UK	Jan final money data	·- ·	N/A
UK	Jan consumer credit	£650m	N/A
Fil US	Feb Nat Assn Purchasing Mingre	46.0%	44.2%
Mer 1 US .	Feb Michigan sentiment final		86.6
US	Feb domestic automobile sales	6.8m , ,	8.5m
ÚS	.Feb domestic light truck sales	6.0m	6.0m
Japan	Jan unemployment rate	3.4%	8.4%
Japan	Jam job offers/seekers ratio	0.65	0,88
Japan	Feb Brik Japan Tankan Di manufaci	-7.0%	-14.0%
Japan	Ditto, non-manufacturing	-16.0%	22.0%
Japan	1996 Tankan capital spending	0.0%	3.8%
Japan	Feb automobile sales**	4 4 5	6.6%
Japan	Feb forex reserves	-1.	-0.01%
ÚK.	Feb Chart Inst Purchasing Mogra		N/A"
During the week.		11 1 1 1 1 1 1 1	4 1 3 1 1 2 2 2 2 2
Germeny	Jun inclustrial production. West	-0.8%	1.6%
Germany	Jan manufacturing output, West	1.0%	2.4%
Germany		-0.4%	0.6%
Germany	Jan Import prices	0.3%	0.8%
Germany	Jan import prices	-1.1%	-0.9%
Germany	Feb preim cost of living, West	0.4%	0.1%
Germany	Feb prelim cost of living, West**	1.8%	1:4%
Italy	Jan 642 3-month average	2.2%	21%

No.9,003 Set by GRIFFIN

bath (5) George, confess to being an adult (5-2)
3 Where doctor never sins (9)
5 Book eventually finished early (5) No end of unwanted leaves 7 Challenged wickedness nf reckless person (9)
10 Calling for gent's leader to go sick (9)
13 Soldiers surrounded by dead men shivered and wandered around (9)

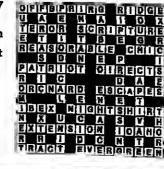
MONDAY PRIZE CROSSWORD

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of 535 Pelikan vouchers will be awarded. Solutions by Thursday March 7, marked Monday Crossword 9,003 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 SHL. Solution on Monday March 11. Please allow 28 days for delivery of

prizes

Winners 8,991 David Palmer, Bonn, Germany Brian Candy, Maidenhead Joe Fitton, Rochdale J.W. Pratt, Newcastle upon

Tyne
Mrs Zeyla Thompson, Bricket
Wood, Herts
Gerald Walsh, Preston



Solution 8,991

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In accordance with the terms and conditions of the bonds, the rate of interest for the interest period 25 February 1596 to 27 August 1596 has been fixed at 6.25% per airmum, interespondite on 27 August 1596 will be US-51, 170.83 on each US-51, 190.000 articiosis tempont of the august 1596,000 to articiosis tempont of the august of the a

US\$20,000,000 Series 2 Secured Boating rate bonds 2004

Agent: Morgan Guaranty Trust Company **JPMorgan**

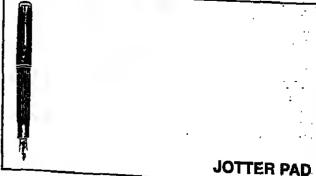
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Notice is hereby given that the rate of inferred for the period from February 26th, 1996 to August 27th, 1996 has been fixed at 5 per corrup per armum. The coupon amounts due for this period are USD 127,09 per despondent of USD 8,000 and USD 2,541,67 per despondation of USD 8,000 and are psyable on the internet payment date August 27th, 1996. BNP The Flacial Agent Burnippe Restron

November 1995



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20 Revise part of deed I typed
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FINANCIAL TIMES MONDAY FEBRUARY 26 1996

Cargo Vessel Bangladesh 30 March 0800 hrs

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MANAGEMENT

nformation technology has profoundly changed the way that many business functions are managed. Now it is the turn of the corporate IT department to come under the management spotlight.

Large information systems departments are having to rethink their skills and structure in the face of new husiness pressures and rapid technological innovation. The degree of change "surpasses anything experienced since the first days of computerisation," according to Michael Earl, director of the Centre for Research in Information Management at the London Business

Part of the pressure to improve the management of IT comes from its checoered performance record. IT projects are infamous for technical failure, vast overspends and long delays. A study published by Chapman & Hall in 1994 found that between 30 and 40 per cent of IT projects realised no net benefits, however measured.

But the cynicism about IT's performance is tempered by a growing realisation that IT can produce impressive results, if skilfully managed. Some companies - although by no means all - have achieved marked improvements in productivity hy redesigning husiness processes at the same time as

Moreover, many of the initial sceptics about the worth of concepts such as electronic mail and groupware have now been convinced by their ability to improve communications between different parts of the business and different time zones.

Indeed, in some quarters, the impetus for change in the systems function is less due to cynicism about its performance than renewed enthusiasm about IT. The widespread fascination with the Internet and its potantial to reach new customers has opened the eves of managers to the strate-gic potential of IT in sectors ranging from retail to banking.

Working in IT is possibly more rewarding and challenging than it has ever heen. But IT specialists are faced with a daunting set of tasks, as they try to meet demands.

Some of these changing demands come from the hreakneck pace of innovation in the IT industry and the accompanying changes in the industry's structure. For IT specialists, that means having to deal with more complex systems and more computer suppliers; spending more time in updating skills and putting more effort into forecast-ing, scanning and evaluating technologies.

Technological improvements and the falling costs of processing power are not unmitigated hiessings for IT departments. The difficulty is that companies are rarely able to replace their "legacy" systems - the old software and hardware portfolios huilt up over decades - with new and more flexible

The falling costs of IT often leave systems staff grappling with additional complexity. as they are asked to maintain the personal computers installed by department managers. Moreover, the rapid fluctuations in the fortunes of suppliers presents the risk that a corporate customer will be stranded with "unsupported" technology that is difficult to maintain or update.

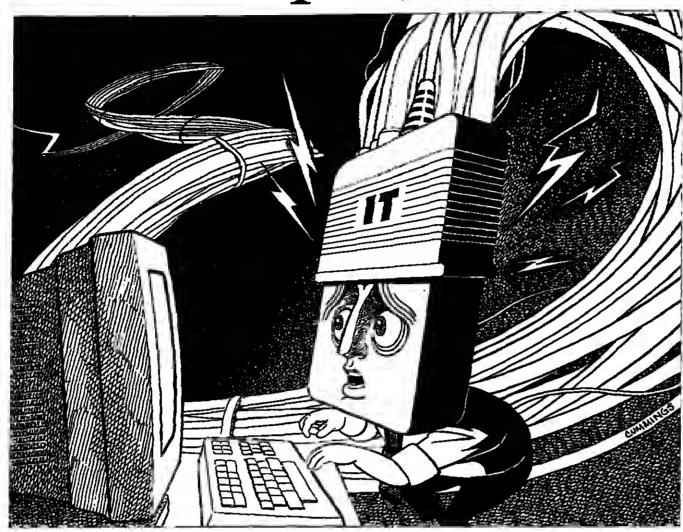
But even when systems staff are able to keep up with technological change, they are finding that technical skills are no longer enough to be a good IT manager at senior levels. Increasingly, they are required to understand how IT adds value to the business, according to Simon Farmbrough, a partner of Boston Consulting Group. "For example, the question is not 'Have I put everyone on Windows 95?'. It is 'How does that benefit the husiness?'," he says.

But calculating the value of an IT investment is easier said than dooe. IT evaluation has proved difficult and cootroversial, since easily anticipated.

Forecasting the impact of new technology can pose enormous difficulties. In some cases, an innovative approach to technology, together with creative business think-

If information technology managers are to retain influence they must find a way of adding value, says Vanessa Houlder

The changing face of corporate IT



ing, bas created a powerful husiness advan-

But in many other cases, the belief that an IT project will bestow competitive advantage proves to be wishful thinking. Although a technological investment may appear to have strategic purpose, it often proves difficult to translate the Idea into

The gap between expectations and reality is often particularly wide when the original vision for the project is provided by the chief executive. Expectations oo the part of CEOs are often excessive, says Stepben Relter of AT Kearney, the consultancy. "They [CEOs] keep reading things being accomplished by other companies, but there is a great deal of misunderstanding about what took to accomplish them," he says.

Reiter's view of the difficult relationship between chief executives and chief informa-tion officers is widely shared by IT specialists. Charles Wang, chairman of Computer Associates, the US software company, argues that the strained, unproductive partof most of the frustration over technology. "CEOs love what they have been promised: they hate what they have been delivered." he says.

This gulf between the chief executives

and technologists is not just a US phenome non. When Computer Associates commissloned a UK survey of attitudes between technology executives and their "business" counterparts in finance, distribution, mar-keting, operations, R&D and personnel, it found evidence of traditional stereotypes.

For instance, most business executives thought that IT managers talked in technical terms and were carried away with the technology. A majority of IT managers thought that business managers were uncomfortable with IT terminology and insecure about asking technical questions.

But the relationship between technology executives and chief executives is most troubled in the US. Reiter says that, on average, a CIO stays in his job for just 2.3 years. Research by Delotte & Touche found that around one-sixth of North American companies replaced their CIO in a single year. Of the CIOs who departed, a third or more were fired.

The hire-and-fire treatment of CIOs may make it harder for IT departments of US organisations to achieve results, according to consultants at Boston Consulting Group. They have recently carried out an international study comparing the performance of the IT management within insurance companies. It found that the US insurers perranging from identifying business opportu-nities to ensuring that husiness benefits are

"IT management in the US is extremely goal oriented. If things do not get better, they [the managers] are out," says Simon Bennett of Boston Consulting Group. "It takes longer than American CEOs allow to change the way those large organisations manage their IT. By contrast, Sun Alliance of the UK,

which was the best performing IT function they studied, took a relatively long-term approach to building up strong relationships between IT and the husiness. Sun Alliance has taken a number of steps

to integrate IT staff more closely with the other parts of its husiness. Recently, it has moved most of its 600 systems staff to work within the business units. We wanted to get the IT function closer

to the divisions," says Tony Latham, managing director of general insurance at Sun Alliance. He says that he wants IT recruits "to see themselves as husiness professionals who have done an IT apprenticeship".

Sun Alliance also has a policy of rotating managers through the IT departments, as part of a management development process. "We have a much higher IT literacy than is usual at the top level," says Ian Hillan, divisional manager (systems).

By doing this, Sun Alliance has come close to realising the idea of "hybrid managers", a term that became popular in the early 1990s to describe individuals who combine computer literacy with husiness acu-men and a flair for management. This combination of skills, it was argued, would propel these individuals on an accelerated path to the top.

Some examples of these successful hybrids exist. For example, Eugene Lockhart, a former information technology consultant, is now chief executive of Master-Card But generally, IT shows httle sign of becoming a fast track to senior positions. "IT will be a way to tha top, but I don't think it will be as frequent or direct a path as provided by some of the other functions." says Rae Sedel of Russell Reynolds, the executive search company.

Some companies have interpreted the thinking behind hybrid managers in a different way: they have rotated an executive from another part of the business, such as finance, into the top IT job. This tactic rarely works, according to Reiter. "You still need people who are conversant with technology. They need to understand the nuances and have control," he says.

This point is backed up by research hy Michael Earl and David Feeny, who is direc-tor of the Oxford Institute of Information Management at Templeton college. They found that the CIOs who added most value invariably came from the systems function; indeed, most have never had a joh outside

The research shows that it is those who have been transplanted from other areas of the business who have struggled, uncomfortable with the technology, unclear of their careers, and typically equipped to operate as forceful managers, rather than as bridge-builders and facilitators."

This "bridge-building" ability is an important factor in the success of some IT directors because it underpins several other facets of good IT management. CIOs who build good relationships with other executives tend to have a better understanding of the business and so find it easier to establish priorities and concentrate their efforts when it comes to building systems.

Conversely, if an IT department fails to huild hridges and come to a joint agreement about priorities with other departments, it may have difficulty justifying its role. Con-tracting out IT to specialist companies has become a popular way of cutting costs and dealing with what is seen as a frustrating. non-core business.

Outsourcing is not the only factor that could weaken the influence of IT staff. A snbstantial shift in the relationship hetween users and specialists has been reported by organisations belonging to The Centre for Research in Information Management at London Business School and by the Centre for Information Systems Research at the Massachusetts Institute of Technology.

This shift is due to the emergence of what Michael Earl describes as the "power user", somehody capable of building their own models, displays and routines on PCs. These technologically sophisticated users may know more about the new world of IT -such as the Internet and the World Wide Web - than the IT specialists. Earl quotes one CIO as saying: "The users are now the innovators. We are the sweepers up."

This trend, which reinforces the extent to which attitudes to IT are changing, presents IT managers with both opportunities and threats. It underlines the increasingly essential role of IT skills in companies where IT is playing growing part in business strategy.

- But as computer literacy becomes more commonplace, IT specialists will have no monopoly over these skills. If they are to retain their influence, they will have to demonstrate that IT can add value to the

Andersen leads the consulting bonanza

anagement consultants do not always practice, what they preach, Yet financial results from Andersen Generalting since its operational split from Arthur Andersen in 1989 look like a powerful endorsement of the

current fashion to demerge.
Six years ago the consulting arm
was a \$1hn (£600m) business, very
much under the direction and control of its older and better-known audit "consin". Later today, however, Andersen Consulting will announce that 1995? worldwide revenues totalled \$4.22bn, a 22 per cent increase on the 1994 numbers and more than four times higher than before it set out on its own

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Such growth from the undisputed market leader is striking evidence of the strong demand for management consulting in most leading economies at the moment. Generalisations are dangerous in such a fragmented industry, but one leading UK-based firm privately admitted last week that it

is turning husiness away: Like most of his rivals George T. Shaheen, Andersen's worldwide. managing partner, is sensitive to jibes about downsizing. "We don't view ourselves as headslashers," he said in an interview last week. "In any case I think the emphasis today is on working "smarter", not nn working with fewer people. Andersen Consulting is succeeding cause we are delivering value to our clients through our people and our global reservoir of knowledge." Shaheen lists customer

satisfaction, supply chain integration and business processes as three top client issues of the moment. A breakdown of the 1995 figures by industry group shows the sharpest growth in communications (including telecommunications) - revenue up 57 per cent to \$573m - with industrial products recording a 53

per cent jump to \$487m. Boasting a worldwide payroll of 38,000 people and almost 1,000 partners, Andersen stands out from the consulting pack by virtue of its sheer size. The firm plans to hire

8,700 recruits this year. Its position and image in the industry, though, also stem from aggressive marketing and advertising with global expenditure un all forms of promotion exceeding \$25m per annum. "We have changed the landscape of how professional service firms communicate with the market," claims Shaheen.

The Andersen chief, moreover, foresees little let-up in the rate of expansion and predicts another "rohust" year of 20 per cent revenne growth. At a meeting in Mexico City last week of the firm's global management council (comprising the top 50 partners) his advice to colleagues was "to keep nimble, be bold and keep adding market place value". Competition. he concedes, is tough from the likes of hardware manufacturers such as IBM "who now realise that the power in technology is not the technology itself but how it is put to work in the enterprise".

Shaheen also cites the growing industry trend towards "gain sharing" - the tendency for fees to be linked, in part at least, to the proven results of a consulting project. "Increasingly clients are showing interest in this approach," he observes. "The market place seems to be a believer.

Tim Dickson

The danger of long-distance shopping

s I stood in John Lewis at and a hit fatter, doing exactly the the weekend waiting to pay for some rufflette tape I noticed a young man in jeans who appeared to be having an involved conversation with a rack of curtain rails. On closer inspection he turned out to be talking into an ultra-slimline mobile phone. "I can't see exactly the one you want," he was saying. They've got lots with remote controls."

This man was clearly at the leading edge of shopping technology. The hand that was not clutching the mobile was flitting over a large selection of little black control boxes which, at the touch of a hutton, close your curtains for you. But this did not seem to he doing much for his Saturday morning. "I don't think they've got it. Look. I'm telling you. IT'S NOT HERE." He stuffed the phone into the pocket of his leather jacket and walked off.

I thought of him again that very afternoon, when I was wheeling my trolley around the supermarket.

same thing. If anything, he seemed to be having an even more stressful time. I first came upon him at the chilled counter. The deep dish chicken lasagne is \$2.59...i can't see a price on the Cumberland Pie," I heard him saying as I threw a few ready-made meals into my trolley and wheeled on. By the time I had reached the checkout he had progressed only a few yards to the eggs and was dehating egg sizes and barn fresh versus free range,

New technology is a dangerous thing when it gets into the wrong hands. Sometimes it may save labour, but as often as not it does the reverse. Shop on your own, or shop together if you must, but to shop long distance makes the process a nightmare for everyone. Except, of course, for Vodafone, Mercury, Orange, Cellnet etc.

Still on the subject of shopping,



Lucy Kellaway

just in time, customer is king days it is impossible to hny a pair of children's gloves in mid Fabruary? It may be snowing outside, but as far as retailers are concerned it is spring summer even. Could it he that our sophisticated shops are missing a trick? Never mind the electronic data Interchange with suppliers, never mind the efficient consumer response and all the other jargon about streamlining the supply chain. If I were M&S, The Gap, Mothercare, Next etc I would look out the window, or better still phone up the Met Office and order a few scarves and mittens to sit alongside the shorts and bikinis.

I have just been seot an invitation to attend a conference called "Hiring and Firing Senior Executives how to handle sensitive complex and high value disputes concerning dismissed executives". The programme looks unmissable, complete with role plays of the dismissal interview and analysis of the precise determination of the severance package, the tax implications, the announcement to the Stock Exchange and so on. Most companies could learn a good deal from this. But one company that in particular might take heed is the Independent newspaper, which has recently done a very un-model sacking of its editor. But then evidently it thinks otherwise. It is sponsoring

One day last week when there was the thinnest powdering of snow on the ground - just enough to bring British Rail to a near standstill - I found myself jammed into a train with not enough elbow room to open the FT. I tried to read my neighbour's Guardian over his shoulder hut he was turning the pages too quickly. That is, until he came to the double-page Benetton ad. There he stopped and stared, and half the compartment did likewise. The picture showed a group of beautiful smiling men and women in little lovey-dovey clusters. What caught my attention was not just the "clever" Benetton gimmick of making them wear straitjackets over their Benetton jeans. It was the unfortunate resemblance to

which I had seen on the telly the previous night. There Jackson had tastelessly posed as God in a long white robe surrounded hy children, and here was Luciano Benetton also clad in white standing barefoot on a hox with his underlings leaning their cheeks against his chest in poses of loving adoration. Part of me felt like baring my

bottom as Jarvis Cocker did at the Brit awards. But good aense prevailed; instead there is an obvious lesson here that I am surprised other companies have not followed Why haven't they copied this exhihitionist treatment and learnt how to mesmerise a whole train compartment themselves? Surely a similar group of ICI or British Gas executives and employees could also be photographed in a stunning but unsettling tableau of togetherness.

But as a picture came to my mind of Richard Giordano and Cedric Brown standing harefoot in straitjackets cuddling their underlings, I started to have second thoughts . . .

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With one eye on the future

t 68 years old most people would have retirement in their sights Not so Donald Jacobs, dear of the Kellogg graduata school of management at Northwestern University, just outside Chicago. For him it is still business as

"It's very hard to leave a job you enjoy so much," imiles America's "dean of deans", a tile he has earned over 20 years in the job. During that time he has transformed Kellogg from a run-of-the mill bisiness school into one of America's filest. He was one of the first deans to introduce B dedicated residential chire for executive courses and fostered the idea of team working, at B tirle when husiness study was largely seen as a solitary activity.

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activity.

He is the longes serving dean "by a long shot" of any a the leading American ican business schols. "They forgot to fire me and I forgit to go," he jokes. At a time when the tenure of many US deans is on ne wane, Jacobs is relaxed about hisposition. Most of his peers, be says, at under tremendous peers, be says, as under tremendous pressure from tieir governors and advisers if the schools do not perform well in the busiless school rankings. Consistently appearing at the top of the lists – the school was ranked number two by BusinessWeek in its 1994 survey an was top of the list two years earlir - Jacobs claims to have only one problam - "having 6,000 more appliants than I need for



Douald Jacobs, America's 'dean of deans', is hoping to be in the classroom next year teaching European executives

the 490 places on my MBA course". A tea-drinking vegetarian who swims every day, Jacobs is now geared up for his latest venture - an MBA course for experienced executives in Europe, to be run as a joint venture with IAE (Institut d'Administration des Enterprises) in Aix-en-Provence, France.

The two-year course is aimed at executives with Bt least 10 years'

experience and each year they will study for three weeks in Aix-en-Provence and one week at the Kellogg campus at Evanston, Illinois, where European students will mix with their US counterparts. There will also be weekend study in Brussels, looking st European issues such as lobbying.

The course will be in English with 50 per cent of the course run by Kellogg staff, 50 per cent by IAE staff.

Executives earn a double MBA.

Eech applicant will be interviewed and 20 to 30 accepted for the first course in January 1997 - there will be 60 on subsequent courses. "They will he from many different backgrounds and industries," says Olivier Tabatoni, associate dean et IAE.

Tabatoni and Jacobs believe the Kellogg-Aix executive MBA programme could not have happened 10 years ago hecausa faculty did not have the appropriate attitude to glo-halisation nor experience in teaching executives. "Now we have a faculty that knows bow to work with executives. We do it all year round," says Jacobs. At any one time Kellogg has more than 400 students studying weekend courses and all Kellogg's executive education courses are sold

out for the whole of 1996 and 1997. Jacobs hopes that he will be one of the instructors on the Kellogg-Aix executive MBA, lecturing in corporate governance - if his teaching is deemed up to scratch. Both Kellogg and IAE operate a system of student assessment of faculty teaching skills, a system Jacobs introduced at Kellogg to encourage his research-orientated staff to improve their teaching skills. Academics, he points out, can be par-

ticularly competitive. He acknowledges that student com ments are important to him, too. This term he is teaching two courses at Kellogg - half the workload required from the full-time teaching staff. The first is in corporate governance, the second a group-based project on the European single currency.

Students are split into a number of groups with two groups representing each European country. Each group then prepares a presentation saying why the single currency would be good or bad for their country.

"I think I'm going to get a good grade on this one," he reports.

Application beats aura

Della Bradshaw investigates the qualities of a successful dean

bosses under increasing pressure corporations alike, what is it that makes a successful dean? The answer, according to research conducted by the

Lancaster University Management School, is twofold: the best deans are those who listen to their faculty and students; and they are those who work hard. The most successful are those that have a close understanding of their own

school," says Allan Bolton, school administrator at Lancaster. "They are those who said they spent the first six months to a year after their appointment listening to their faculty and students. Many outside appointments

are "shooting stars" who are keen to impress the business world but are frequently out of touch with their own faculty,

The other ingredient is simply hard work. Those deans who achieve most in the fundraising stakes, for example, put their succe down to application rather

than charisma. The Lancaster research, to be published shortly, is based on interviews with 17 busine school deans, 10 in the US and seven in Europe. The schools selected were an above average set of accredited institutions, including the University of Chicago, IMD, the London Business School and Kellogg Schools on both sides of the

Atlantic had similar attitudes to the organisation but they differed in response to their students, and in particular alumni, according to the research. "In the UK we still think of alumni as the people who left last year," says Bolton, In the US alumni are fêted as a future source of revenue and business contacts

Bolton concludes that the real headache for deans on both sides of the Atlantic is how to implement their vision in an scademic world where inaction is endemic. "The deans all wanted to be champions of change and that is never a very comfortable role to perform in academic

for the school.

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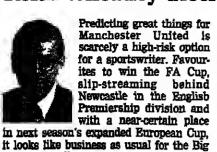
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The Big Red Steamroller

Keith Wheatley describes Manchester United's brand power



Red Steamroller. Ah, you may think, Wheatley has heard a whisper from the Old Trafford boardroom and is forecasting good news in next

month's interim results. Not quite, although chairman Sir Roland Smith may well have news to match last year's doubling of annual profits to

Recent announcements from United have seen the company's share price leap 30 per cent in only two weeks. At a closing price on Friday of 245p, the club was valued just short of £150m.

The first piece of news was the announcement of a new kit and merchandising deal with Umbro worth an estimated £60m during the next six years. That deal alone more than doubles the previous biggest comparable contract in British football, that between Liverpool and Reebok.

Even more significant than the money itself was the degree to which Umbro sought a renewal of its contract with United, even though the existing arrangement had two years to run.

In fact. Nike, the American sportswear giant, was making the running with some

big numbers. It wants very much to be an every piece of Old Trafford minutiae, from important player in English soccar.
"We considered three options," says

Martin Edwards, chairman of United. "One was a major multi-brand sports goods manufacturer. We also considered doing the operation ourselves and we looked at Umbro, who are football specialists. They have also proved to us over the last four years that they are the most effective sports brand in the football mark*e*tplace."

With respect, Mr Edwards, you are wrong. Umbro is just a shirtmaker, the image-delivery system. Manchester United is the important brand name, with a reach far beyond sport.

United is probably one of the strongest brands in the UK, right up there with Marks and Spencer or Heinz," says analyst Nigel Hicks of brokers Panmure Gordon. Hicks has specialised in the club's business fortunes since it floated nearly four years ago.

The second boost to United's recent stock market fortunes was publishing. Last week tha club announced a multi-media deal with the magazine and video publishers VCI. Existing magazine and book formats were bought out from the club for

On top of that came a guaranteed minimum of £3.5m (possibly a great deal more) in advance royalties from videos and other more bi-tech formats. Philosophy from Eric Cantona on

CD-Rom, or Ryan Giggs teaching corner-kicking technique via video disc, could be with us before the 1996-97 season. Plans are already well advanced for player profiles to manager Alex Ferguson's thoughts for the day, to be published in almost every conceivable way.

"The agreement with VCI will anable the high quality of Manchester United videos, books and magazines to be maintained and will also enable United to benefit from developing formats such as video disc and CD-Rom," says Martin Edwards. Last week, club merchandising director

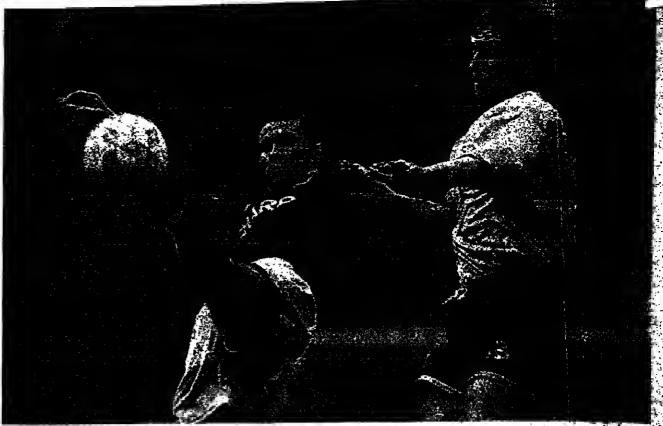
Edward Freedman said he envisaged the future in terms of consolidating and protecting the brand rather than breaking through into new areas.

Really? It seems a modest ambition for United, trail-blazers since their debut on the stock market. Last week, an item from California also caught my eye: Disney is planning a \$2bn re-vamp of its somewhat tired Disneyland theme park. Central to the make-over is the role of

the increasingly successful Anaheim Mighty Ducks ice hockey team, their home rink being a crucial component of the new mix of pleasures at Disneyland. Whether it is a backstage tour or a home game, Michael Eisner, Disney's chairman, is known to believe that the barriers

between sport and show-hiz entertainment

So what price a similar development at Old Trafford? Surely the technology that puts the punters centre-stage in Backdraft or Back to The Future at the hugely popular Universal Studies in Hollywood could make a paying visitor the scorer of the winning goal for Manchester United in, say, the 1968 European Cup final? Or take him on a virtual reality night out in a



Freeze frame: Ryan Giggs (left) on video disc could be with us before the 1996-97 season.

"One can certainly conceive of a Manchester United theme park," agrees Nigel Hicks. Warming to the idea, he went on to suggest a Manchester United hotel, behind the new North stand, with direct links to the executive boxes and hospitality areas. "It would be a natural extension of what

corporate supporters already pay for," he says. Behind the massive bulk of the new

circa 1971 Manchester nightclub with stand is a good deal of empty land, now owned by the club and ear-marked for no specific purpose.

These ideas may seem fanciful. Yet only five years ago the idea of the stock market valuing a football club at £150m or more would have seemed outlandish. Should a football visionary stand on the

roof of United's new stand, the most visible landmark he would see is the bright red Granada sign on the roof of tha televi-

sion company, where the some opera Coro-nation Street has been tansformed into a visitor attraction more profitable than

making programmes.

Having digested Forte and turned itself into one of the world's sading hetellers, anything seems possible or an entertainment conglomerate like (ranada. If this was the US, invetment bankers

would be shouting "synegy". Never say never in football.

see a nightmare coming On a brief visit to Atlanta, Georgia, I experienced the complexities of the preparations for the centennial Olympic Games. The sense of foreboding is almost palpable: people in Atlanta are talking about life before and after the Olympics as though they were about to be hit by a hurricane.

They are uncertain whether normal life can ever be resumed. Perhaps when it all happens in July the euphoria, and the hype, will carry everyone through it, but the effect on Atlanta will be irrevocable.

There is more to Atlanta's predicament than the pending arrival of the world's sporting community. Atlanta is a city that experienced 17 per cent growth in size and population last year alone. It has boomed thronghout the recession years, and is now a victim of ts own success.

Complete dependence on the starts at the airport.

car has caused a 40 per cent There seems no architecgrowth in Atlanta's traffic in tural solution to the scale and one year. The department of anonymity of the ubiquitous transportation estimates that international airport. In Atlanta experiences in a single Atlanta the airport is so vast year the kind of car growth that most cities experience in that a small train transports passengers from concourse to 10. The consequences are obviconcourse while another transous: highway construction ports their luggage - often in feeds the growth, 16-lane highthe opposite direction. You are ways are turned into 22 lanes, dependent on the disembodied multi-storey car parks sur-round new buildings and the automated voice and the sign system. You haven't arrived average family has three cars. anywhere recognisable - you But it is not only cars and are literally moved from A to traffic that are ruining the

city. A mobile population can-Look at the relief when friends and families recognise not create any sense of place. For a visitor - and there will faces waiting to meet them. It be millions in July - trouble is a similar relief to feel heat

or cold when you emerge from the controlled world of the airport into the chaos of the surrounding roads.

Atlanta, anonymity and America's airports

Giant magnolia trees and greenery may transform the blandest arrivals hall, writes Colin Amery

Your visual experience of the airport is limited: it is netther conditioned nor inspired by architecture but by signs and symbols. That little drawing of a suitcase gets you to the baggage claim. That figure with his legs apart or the one in the stiff skirt gets you to the lavatory. The flickering lines on the TV monitors lure you towards the right flight.

There is often a terrible sense of betrayal when the signs peter out - somehow the gate numbers don't tally, or the travelator takes its human

cargo beyond the spot they want to reach. I have just been through 10

airports in as many days. Most of the American ones are an anonymous blur. What impresses is their scale and the length of the walk from aircraft to luggage. Only two stay in the mind. First, the Charlotte/Douglas international airport, which has begun to solve the problem of anonymity by the appointment of an airport horticulturalist.

Her name is appropriately Joy, and her policy is a wise one of trying to bring nature into the air-conditioned nightmare of the airport. Not for her the boring rows of ficus

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Bejamino, that small-leaved fig tree universally loved for its virtual indestructibility. Instead, Joy has tried inside and around the airport buildings to introduce the greenery and colour of the Carolinas by

planting on a massive scale. Her work is highly successful and is comparatively inexpensive as a way of greening the airport. It also brings the indigenous into the world of the anonymous - something sirports in smaller and poorer countries do, perhaps by default.

The little airports of the Caribbean islands may lack sophisticated air conditioning, but their pink-washed walls and wrought ironwork and waving palms give the traveller a sense of arrival.

How much more preferable it is to arrive at Washington DC's Union station than to hang around in the giant shed that passes for the arrivals hall of Washington's National airport. At this airport for the capital of the world's most powerful country, you stand contemporary "mobiles", which resemble white sheets drying.

At Union station, however, all is not perfect because the magnificent waiting hall is now a shopping mall. But it has been well done, and although the few trains are

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THE WEEK AHEAD

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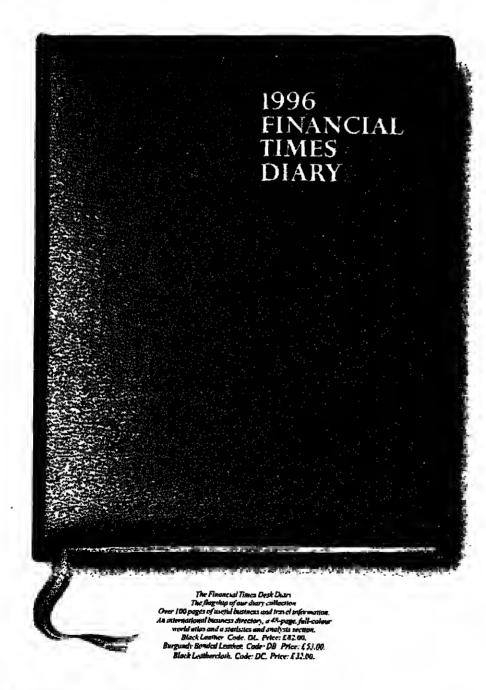
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Our forms of trasport, personal and public, nw make up the framework of ur lives. In a city like Atlanta the formlessness and lack olandmarks and of any real sene of place is depressing and callenging. Yet landscape arcitects can help save our citiesby greening them.

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Adams Bank Johnson Pry Utilities

E TOMORROW COMPANY MEETINGS:
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Company meetings or annual general meetings unless otherwise stated. Please note: Peport and accounts are not normally available until approximately six wasks after the bard meeting to

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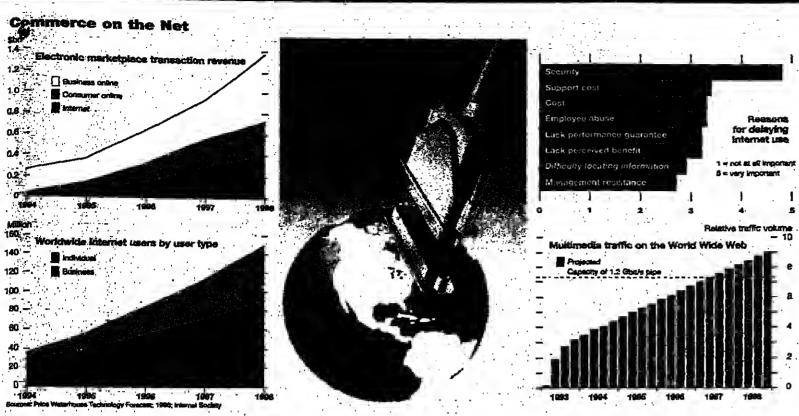
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Net's rivals feel the squeeze

A quiet revolution is transforming global electronic trade, writes Alan Cane

he value added networks (Vans) such as GEIS and Advantis that have made possible and sustained the world's electronic comte during the past decade are already at risk from the Internet, according to an industry forecast.

The Internet'e rise as a viable conduit for electronic commerce has initiated a re-examination of the contribution of the Vans that were previously relied on for electronic data interchange and other services," according to the latest issue of Price Waterhouse's

Technology Forecast. Remarkably lower transmission costs and the ubiquity of the internet tempt many companies to consider it a viable alternative."

The Technology Forecast, a panoramic sweep through today's electronics, from chip designs to video compression software, has in the space of a few years changed from a hast-ily compiled crib for Price-Waterhouse's partners and customers to a glossily produced and authoritative volume.

This year, special themes include electronic commerce and the influence of the Interforecast says, has become a worldwide phenomenon, reshaping marketplaces, trading relationships and interna-

tional trading boundaries. Fric Berg, director of tech-nc analysis at Price-Waterbouse's technology centre, says: "We envision that complete business processes will be

antomated using electronic

document interchange - everything from the request for bid to the shipment notice to the payment will be carried out electronically, eliminating the need for paper and reducing

How much will costs he reduced? It costs up to \$100 (£64.90) to produce and process a paper invoice and payment, the Forecast says, compared to less than \$10 for electronic alternatives.

Electronic commerce tech-

nologies such as electronic document interchange have been available for some time through Vans operators. Revenues for more than a dozen, including General Electric Information Services, Sterling Software, Advantis and Electronic Data Systems are rising rapidly. Marketing consultancles are predicting between 24 per cent and 40 per cent com-pound annual growth rates. But use of the Internet offers

substantial savings, it seems, According to BIS Strategic Decisions, a technology consultancy, the cost of EDI over the Internet in only 10 to 30 per cent the cost of using a conventional Van.

Security, however, remains an important concern. According to the Forecast: "Transmitting sensitive account informa- by t numbers over the public internet scares corporate treasurers and experienced information technology managers, and many decline to extend the services offered on their Web sites beyond product catalogues to

It would be, according to the respondents to a survey, "just plain foolish" to provide credit information online.

There are, bowever, a number of developments in cryptography which may change the perception of the Internet as fundamentally insecure as early as 1998.

The Forecast suggests that software developed by RSA Dats Security of the US will be the cryptography method of choice for most Internet-based

There is evidence, however, that interest in using the Internet for electronic commerce may have already overtaken penetration of EDL One survey in early 1995 found that onethird of more than 500 respondents were already using the Internet for electronic commerce. Half of them said they would be using the internet by the end of 1995. Other studies suggest that Internet-hased sales will grow by more than 2,000 per cent by the end of

Meanwhile, conventional Vans operators such as Advantis. GEIS and Stirling will be forced to change into corporate internet EDI providers. Their business models," the Forecast warns, "will be severely tested by the economics of the Inter-

The Forecast sees no end to the growth of the internet: "Once higher bandwidth is available, perhaps through cable companies, the growth will be explosive in nature because sound and video clips will be delivered in real time."

The price of online service time will decline due to greater competition for customers, it says, and desire for faster online performance will stimulate demand for ISDN digital telephony (a technology capa-hle of transmitting multimedia sound and images) in the US. More demand for this higherspeed digital equipment will lower costs as volumes increase, it predicts.

The key to all this is the World Wide Web, the fastest growing part of the Internet, which provides links between pieces of information held on separate and remote computer databases. The WWW will continue its phenomenal growth. The transparent ability to click on a world, phrase or picture that directs the network browser to the next location is an extremely important meta-

It goes on: "The WWW is quickly turning the Internet into an online shopping mall. Services, ranging from online shopping to instantaneous automobile traffic updates, are providing businesses with new and innovative ways to reach

The forecasts predict a sound future for online services which embrace the open standards of the WWW, hnt are gloomy about prospects for

"Independent online ventures not also providing access to the Web will have a tough time succeeding," it is said.
Figures quoted in the Fore-

DIY Web pages take toll in man hours

Tim Jackson wrestles with Navigator Gold

The inventor Wide Web. Tim Berners-Lee, made an interesting observation recently during an interview on America's national public radio. Asked what he thought of the commercial

monster his creation had become, Berners-Lee said mildly that it disappointed him in only one respect. The Weh was proving less popular than be had boped as a medium for individuals to publish information. Six months from now. Ber-

ners-Lee's disappointment may be redundant. There are several programs on the market that make the design of Web pages as easy as word processing.

Cognoscenti insist that it was hardly taxing before; Wired magazine recently reported on the rise of what it called WAW - waiter/act-or/webmasters, who found a useful source of short-term income in public fear of html. the bypertext mark-up language used to define Web pages. But a sharp new impetus towards personal publishing on the Web has come from Netscape, maker of the world's most popular browsing software.

cast suggest that the total size

of the US consumer online ser-

vices market, including the

Internet, was only \$1bn in 1994.

with the prospect of growing to

\$2bn in 1995 and almost \$9bn

by 2000, representing about 40m subscribers to online ser-

vices compared with 7m today.

interest in ISDN as a telecoms

technology, the Forecast says, suggesting that the US bas

become the world'e fastest

ning to take hold. Consumers

and schools appear to be interested in telecommuting and in

fast connections to the Internet

Pricing, however, is confus-

ing. The industry is waiting to

see if the telephone companies will be successful in marketing

ISDN to residential, educa-

tional and business customers

before other high data rate

alternatives become available.

Price Waterhouse Technology

Forecast: 1996 is intended for PW professionals and their cli-

ISDN standards are begin-

growing ISDN market.

and in online services."

All this will lead to renewed

A month ago, the Silicon Valley software firm released a new version of its Navigator program which includes a Web page editor that allows individuals to create their own Web pages just as they would prepare a letter using a

word processor. Navigator Gold 20, as the package is called, is still beta testing. To encourage customers to try DIY Web publishing, the company has run a contest with a gold rush theme in which the best designed page produced with the new program will win \$5,000 (£3,246). Entries closed yesterday; prizes will be

warded next week.

Netscape has persuaded some big Net service providers in the US to offer easy ways for customers to get their Web pages up.

When I noticed a provider offering a month's site rental for \$1, and boasting customers could book themselves up in an hour, I could resist no longer. But one hour proved to be an underestimate. Last Tuesday evening, I

spent a couple of hours putting together the text of a rudimentary Web site. That involved neither fancy graph-ics nor digitized voices, but an archive of recent FT columns. several links to Web sites that might interest readers, and a puff for my newly published book and a conference I am belping to organize.

On Wednesday morning, l downloaded the Navigator Gold software - a gigantic file of three megabytes, which would take an hour or more on some modems. Unfortunately, the software would not work, and three anguished calls to Netscape yielded the conclusion that my PC had a virus, However, a friendly developer e-mailed me a clean version of the program, and I was ready at 7pm to turn the text into functioning Web pages.

Although Navigator Gold is conceptually simple to use, the public Beta I version runs at a snail's pace and is riddled with bugs, Lloyd Tabb, the developer in charge of the project, said that his slogan in writing software was "crawl, walk, run, fly" - and described the current pro-gram as "run". After the 17th crash of the evening, I felt that "crawl" was more appropriate. By Sam the job was

largely done. Five hours later, I was awake again and ready to send the finished pages to a service provider where they could be stored and finally made available to other Net

But that proved more difficult than expected. The

instructions given on Netscape's home page conflicted with those of Concentric, the service provider. It required three conversations with a Concentric technical support person to establish that the only way to upload the files was a mixture of both approaches.

It was nearly midnight on Thursday before the files were in place and readily accessi ble. The experience, close to 30 hours of work, left me wearily cynical about Net service providers and beta versions of programs, and admiring the enthusiasts who managed to enter complex, well-designed Web pages complete with all the latest bells and whistles

But there is no doubt that Navigator Gold is the kernel of a great idea. It opens up the possibility that ordinary, nonexpert people will be able to check the Web after dinner, find something interesting and make some change to their own Weh sites before the coffee is finished, using a "one-button publish" feature.

If this idea becomes a real ity, it will tilt the balance of power on the Web back towards individuals. Sites will become less commercial and more spontaneous.

Browsing and "authoring" as the US phrase has it, will become the same exercise. And Netscape's program will continue its progress to becoming an all-purpose gadget serving as an intermediary between the user and the Net, incorporating not only "authoring" but also e-mail. telephony and video-conferen-

Navigator Gold will probably become a stable program suitable for people like me in three months. By the summer, people who bardly know one end of a computer from another could be comparing notes on their personal websites over the dinner table. And Berners-Lee, thoughtful man that he is, will see his wish come true.

Tim. Jackson@pobox.com

The FT GUIDE TO WORLD CURRENCIES, published in Mouday's

spacer and covering over 200 coverages, is now available by dialling the following

Pioneering skein of fibre optics to span Denmark

By Alan Cane

Denmark claims to be one of the world's first countries to establish a national information superhighway. Tele Danwark, the country's largest telecoms operator, will this week present a nationwide optical fibre network 5,000 kilometres in length, using the advanced transmission technology called asynchronous transfer mode (ATM).
ATM, which at its fastest

allows voice, data and moving video images to be transmitted at speeds of more than 600m bits a second, is believed to be the technology best suited to interactive communication imultimedia.

n is suited to organisations that bave only intermittent

mission capacity and which would find the cost of a fixed high-capacity line onerous. However, ATM is still in its

infancy. In the US less than 1 per cent of established computer networks use the technology, partly because it costs more than slower networking technologies such as Ethernet. Tele Danmark, 51 per cent owned by the Danish govern-

ment, has not only wired up Denmark hnt has extended ATM links to Stockholm in Sweden and Oslo in Norway. Soren Jensen, Tele Danmark's managing director says: "We felt the time was ripe for a network that can serve businesses which have Scandinavia as their main market. "From our customers' point

requirements for high trans-mission capacity and which domestic and international data traffic can now use the ATM standard. Within a couple of years we expect to have full and compatible connections to Germany and the

> Other countries will be watching Demark's ATM initiative. It is one consequence of a broader project, infoso-ciety 2000, which aims to provide Denmark with the world's lowest priced and most efficient telecoms services.

> According to Tele Danmark, easy and cheap access to the large transmission capacity provided by ATM "pipes" will spur the development of new ways of doing husiness and running organisations.

telecoms users, savings of 20 per cent or more a year are ssible. It gives the example of a company headquartered in Copenhagen with subsid-taries in, say. Aalborg, Veile and Odense, Most of the time, it needs only 4m bits a second capacity. Every so often, how-ever, it needs 34m bits a second capacity to all locations. A conventional fixed 34 megabit circuit would cost Dkr 1.5m (£174,000) to install and DKr 7.2m a year to run, a total of DKr 8.7. An equivalent ATM circuit would cost only DKr7.9m, it says. Uses include the transmission of medical images from hospital to hospital, husiness video-conferenc ing, and transmission between It suggests that for heavy delays due to data bottlenecks.

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US editors hold the home page Chris Jennewein, of US

By Stave McGookin

Newspaper publishers are increasing their efforts to capi-talise on the growth in the market for online services hy developing more sophisticated interactive products.

Indeed, many established electronic publishers hope that the coming 12 months will see their online activities pronoted from experimental to Tevenne-generating.
The medium which newspa-

Pers are overwhelmingly choosing for their online forays is the World Wide Web, rather than a proprietary platform or Partnership arrangement with a commercial online service. "The Internet is the arena where the battle for online

hewspaper readers is going to be fought," says David Richards, president of online com-

A survey of 190 US daily and

205 weekly newspapers with circulations over 30,000 hy Kelsey Group and Editor & Publisher magazine showed that 44 per cent of dailies and 51 per cent of weeklies have a Weh site. More significantly, of those that did not, 81 per cent

of dailies and 46 per cent of weeklies said they planned to have one within the next year. The seventh annual survey. announced on Friday at the Interactive Newspapers '96 Conference in San Francisco, showed that 93 per cent of dai-lies plan specific exclusive content for their Web sites.

Ahout a quarter of dailies and more than half of weeklies said they already charged readers for access to their online offerings, or that they intended to. However, only two of the companies that responded to the survey said their Web sites were generating more than \$100,000 (264,935) a year.

newspaper chain Knight-Ridder, said his company was committed to putting all its daily papers online by 1997. Eight already have Internet editions, and two are heing added each mouth. "The aim is that all but the smallest will charge for content," he said.

According to Steve Outing, electronic newspaper consul-tant and columnist, more than 900 newspapers worldwide now have online editions, up from only 100 at the start of 1995. The majority are US-based, but as of last month there were

more than 200 European newspaper publishers with elec-tronic services. The Kelsey study echoed recent research by the University of Zurich and the European Newspaper Association indicating that the main reason for publishers to get involved in interactive services was to protect their posi-

source in their market. Another consideration was the hope of extra revenue, primarily from advertising. According to recent research by advertising agency McCann-Erickson, US newspapers' ad revenues were \$36.4hn in 1995 or 22.5 per cent of total ad

spend, down from 23.1 per cent

of total US advertising spend

in 1994. Colin Philips, co-publisher of Editor & Publisher, said that 1996 was already seeing the first ad budgets set aside for new-media advertising.

And a survey by the Ameri-

can Press Institute of more than 270 journalists on US papers found that 59 per cent of editors and 56 per cent of reporters believed their daily jobs would change radically in the next five years because of the development of online TAKING FULL ADVANTAGE OF THE

COMPLIMENTARY VALET SERVICE

HAVE BEEN UNWISE, SANDERS

JUST BEFORE THE MEETING MAY

here can be few fre-quent travellers who have not at some time heen caught in the

weekend washing wasteland. It is a familiar predicament, particularly for anyone who takes a long-haul trip after a long, hard Friday at the office. having hastily thrown some dirty laundry into a suitcase first thing that morning.

The traveller has a conference to attend on the Sunday morning or a meeting on Monday, so on arrival at the hotel on Saturday afternoon, the first question is what time he or she can have their laundry cleaned and returned.

Almost always, the answer is that the dirty washing will not even be collected until Monday morning - and returned later that evening. If it is a public holiday weekend, the laundry could be returned as late as Tuesday evening,

The traveller now faces a dilemma: attend the appointment in a crumpled and slightly aromatic state, or spend the weekend soaking shirts in the hath and dripdrying them on the line above it. The traveller is then obliged to comb the hotel in search of an inferlor iron that obstinately refuses, even on its hottest setting, to remove creases hut happily distributes scorch marks in conspicuous places. An arhitrary survey of hotel

http://www.british-airways.com

Amon Cohen has trouble getting his laundry done at hotels

laundry services suggests that most hotels are in the weekend wasteland. The exceptions are the trophy hotels, such as Londoo's Savoy, which not only offer a seven-day service but have valets who can take a limited amount of washing and launder it in a few hours.

"There are a few other hotels, such as Inter-Continentals and the Hilton London on Park Lane, which have a valet service, hut you need to know which they are," says Mike Gates, director of central aervices at travel agency Hogg Rohinson. "It is important to have a good travel agent who can give you this sort of Information, because it is difficult to be sure which offer them and which do

It is also sometimes the case that a good four-star or even three-star hotel will wash a shirt in an emergency. Holiday Inn says it could do so if neces-

But perhaps husiness travel-lers should have the right to expect a more comprehensive laundry service, especially when they pay such high prices. As Andrew Solum, travel manager of Inmarsat, the global telecommunications group, puts it: "Getting a pair of socks laundered can cost

more than you pay for the socks in the first place."

One group attempting to rectify matters is ITT Sheraton, which found that inadequacies in its laundry service were frequently mentioned in guest response surveys. It recently improved its laundry service at six of its European airport properties (two at London Heathrow, plus Luxembourg, Frankfurt, Brusseis and a new hotel at Paris Charles de Gaulle).

In addition to the usual same-day service (laundry submitted first thing in the morning is returned that evening), these hotels now offer "express" and "overnight express" options. With the former, laundry

submitted hetween 7am and 6pm is returned within four hours. "Overnight express" guarantees that laundry taken between 6pm and 10pm will be returned by 7am next morning, or later if requested. That is the good news. The bad news is that rapid turn-

round has to he pald for. Whereas Sheraton charges a standard £4.20 to wash and press a man's shirt, its fee for express service is £6.30 per shirt, and a remarkable £8.30 for overnight express.

In addition, Sheraton is introducing what it calls "body Other innovations at Shera-

ton's airport hotels include reduced rates for three- and clock cuisine", a selection of menus which it claims are seven-hour stopovers, and prodesigned to help guests adjust vision of a racily named free "transit survival kit", which to new time zones and combat flight fatigue. In essence, this includes toothhrush, T-shirt, means the hotels will provide breakfast, lunch or dinner at face cream, slippers and other

any time between 8am and 10pm daily. If the programme is a sucparticular could be extended to

other properties. Meantime, Andrew Solum, who is also vice-chairman of the London branch of the Institute of Travel Management, advocates another solution. Although he would like to see hotels offering a speedier service, he recognises that many hotels may find this is not eco-

nomically viable. But he has just returned from a lengthy tour of the southern hemisphere. In Australia and Naw Zealand he found that a growing number of hotels have installed selfservice launderettes for guests. "Quite frankly. I would rather go and wash my own knickers than have someone else do it. I don't like 1,000 other people washing my

underwear, he says.
For those happy to have strangers handling their smalls, perhaps hotels could have one person staffing the launderette to provide service

With the emergence of inhotel launderettes and valets, there is thus a slight chance that weekend corporate travellers will be able to go about their husiness looking and smelling clean. For the rest. It looks as though carrying a packet of Travel Wash and a portable iron remains the best

Conference organisers on the cyberhunt

Wandering arnund hotel function rooms with a click of the computer mouse may take some getting used to, but for busy conference organisers it could be the way of the future.

At an exhibition in London this week. Hilton International will step up the battle to attract business meetings by launching a CD-Rom directory which not only carries full descriptions and colour photographs of 162 hotels in 50 countries, but shows exactly where to plug in the projector. There are video clips of almost half these hetels.

Hilton believes its CD-Rom ls the first seen in the cut-throat world of conference hosting. Andrew McCulloch, head of research and development, says that to package this much information in a space-saving form that can be constantly updated "trans-forms what we can offer the

customer". If customers call np the downtown Vienna Hilton from an alphabetical list, for example, users may click to one of a series of maps showing its location, then zoom in for a detailed street plan.

They will find that the Vienna Hilton is only a short step from the stock exchange, and - should they suffer an excess of that deceptively unhinging new wine known as heurige - the hospital. Conference organisers might be drawn to the Metternick room, where they will find decitie of its capacity and a map show. ing power points, light switches, even chandeliers.

For the geographically illit-erate, there is a world map showing cities with Hiltons which organisers may arrow in on. Using this during a test search proved a little guicker than travelling by Concorde but perhaps rather slower than digging out the atles. All this information - floor

plans, for example, and data on facilities such as fitness centres and distance from the airport - can be printed out.
Hilton's CD-Rom will be available free from March 11.

Roger Bray

Confex, an exhibition for conference planners, is at London's Earls Court, February 27-29.

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Hong Kong shivers

A winter snap in Hong Kong has killed at least 21 people, prompting the government to distribute blankets and set up emergency shelters. The colony is experiencing its chilliest weather in 46 years. Normally hot and humid, Hong Kong shivered all last week in near-freezing temperatures, dampening the lunar new year holiday, and frost dusted the hilltops.

The British colonial government sent out blankets to street sleepers and elderly people living alone, and said it had established 17 shelters for people seeking refuge

Strike called off

Finland's air traffic controllers union has called off a

planned to start this week, after accepting the state mediator's compromise on pay Increases, union officials said.

The union was one of the few labour groups that insisted on an agreement separate to last November's central wage accord.

Earthquake warning Indonesia for the possibility of

more

earthquakes and a possible eruption of the Krakatau volcano, an Indonesian minister warned. The death toll from the recent tremor in the Irian Jaya region had risen to 102. an official said. "We must prepare . . . because according to the experts Mt Krakatau may erupt at any time, although we cannot predict exactly when," he added. Mt Krakatau, located between indonesia's Java and Sumatra Islands, exploded in 1883, triggering tidal waves that killed more

Qantas route confirmed Confirmation of a draft ruling giving

than 36,000 people.

Australian airline, rights to two more Boeing 767-300 services a wee Indonesia has been announced. Qantas has indicated these services will operate from Brisbane

Australia's or

last week issued an unprecedented warning to Australians about security In London following two: recent IRA bomb blasts that killed three people.

Australians travelling to London, or living there, were advised to "maintain i high level of personal security awareness". It was the first time Australia had issued a travel advisory about London, sald the foreign ministry.

Road safety fears There was some bad news recently for business travellers (and others) who race around the roads of Europe.

Europeans, especially Italians, have a reputation for driving like maniacs - and a new road safety report confirms It. After two decades of decline, motoring accidents climbed 3 per cent in 1994 in western Europe, and more than 7 per cent in central and eastern Europe, the European Conference of ministers of transport said.

Their study did not specifically examine the role of speed and reckleseness in causing crashes, but ministers expressed worry that deaths rose where they should not have - In places like Austria, the Netherlands are good and

well-maintained. The progress achieved in safety over the years is precarious," the Paris-based group's report warned. "The road casualty toll still appears much too high in human as well as in economic and social terms." Although car crashes rose by 3.2 per cent in western Europe in 1994, the most recent year for which figures were available deaths dropped by 4 per cent to 51.700, the lowest

fatality count aince 1970. A few western European countries improved their safety records. Crashes dropped 6.7 per cent in Portugal and 3.5 per cent in both Beiglum and France. Those three countries, along with Spain, also saw fewer road fatalities in 1994.

In central and eastern Europe, the number of crashes dropped sharply between 1988 and 1990, hut in 1994 there were more accidents than ever in both regions, the ministers said. Accidents rose 7.4 per cent overall injuries rose 6.7 per cent and deaths increas per cent. "This trend admittedly reflects wider access to travel by car and the increasing shortcomings of road infrastructure," the report said.

Likely weather in the leading business centres

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The Table

A retrospective of the great French landscape penter Jean-Baptiste Camille Corot (right) opens on Saturday at the Grand Palais; marking the bicentenary of his birth. Comprising more than 150 works, it will be complemented at the Bibliothèque Nationale by a selection of his prints and sketches.

Roberto Alagna stars in a new production of Verdi's "Don Carlos" tomorrow at the Chatelet, French opera fans have further cause for celebration at the we when the Paleis

Garnier (right) reopens after 18 months of refurbishment. Georg Salti conducts a concert performance of Mozart's "Don Giovanni" on Friday, and a new production of "Cost fan tutte" opens on Saturday.

Ruggero Pairnondi, the cutstanding Don Glovenni of recent times, is in Athens this week to direct a new production of Mozen's opera at the egaron concert hall. The conductor is Gustav Kuhn, and the cast includes prizawinners of an nternational competition entitled The Quest for Don Giovanny, First night is on Saturday.

The Royal Academy of Arts has contemporary British architects. which opens at the Art Institute of Chicago on Friday. Sponsored by the FT, the exhibition consists of

photographs of buildings designed

by Sir Norman Foster, Nicholas

Grimshaw, Richard Rogers and

ctural drawings, models and

LONDON play by David Lan (right) on Thursday. "The Ends of the Earth", Andrei Serben directs; Sementhe Bond and Michael Sheen lead the cast. On Tuesday, at Sedier's Wells Theatre, the admirable Arc Dance Company will present the first London performance of kim Brandstrup'e Crime Fictions", e new drametic plece inspired by the ideas of crime shadowy truth and no less shadow

THE HAGUE Following its highly successful showing : Washington, an exhibition devoted work of Johannes /ermeer (right) opens the Mauritshuis on Friday. Although ermeer is known to have produced only 35 paintings, he is considered one of the

great masters of the

Golden Age of Dutch



fter decades of mediating between two halves of a divided country, the Berlin film festival now site ends of the world. The opening film Sense And Sensibility set the tone, a Jane Austen tale directed by a Taiwanese-American. After that the competition was evenly distributed (allowing new token spaces for Europe) between the realms of the rising sun and the land of the sinking dollar.

Hollywood sent to Berlin most of its superstar division, plus their new films, including Travolta, Tarantino, De Vito, Bruce Willis, Jodie Foster and Sally Field. Clearly neryous that the world sees it today as a place seized by snow, debt and electoral black comedy, America's movies were about sunshine, money and high political drama.

Oliver Stone's Nizon is a grandi-vision of the man who brought great deeds and misdeeds to the White House, with Anthony Hopkins superb as a jowly modern Mac-

John Travolta capers nimbly through Get Shorty, an Elmore Lecnard crime comedy set in Hollywood. And even darker US movies like Robert Rodriguez' From Dusk Till Dawn (Harvey Keitel and Quen-tin Tarantino fight Aztec vampires) and Tim Robbins' Dead Man Wolking (Death Row drama with Susan Sarandon and Sean Penn) seemed to be persuading us that all is well and decent in the USA, provided you stay away from prison and/or the paranormal.

All these films open soon in Britain, where they will receive fur-ther review space. Edward Yang's Mahjong and Yim Ho's The Sun Has Ears, from the less saleable East, may have to fight for arthouses. Yang's Taiwanese comedy is the best film yet from a director who used to give us slabs of existentialism in the Antonioni mode. He has now become an accomplished social satirist. He understands both visions of youth - in the central group of boy-gangsters who try to bustle everything that moves, from girls to passing US or European businessmen - and the myopia of a materialistic Taiwan ripe for take-

T. The images are perfectly wised, like chess moves come to life. And the dialogue runs to cherishable daffiness like the egeing courtesan's boast, "Every man who's kissed me now drives a Mer-

The Sun Has Ears is a violent love story, blending political and personal destinies in the tale of a village woman who deserts her husband for a young warlord in strifetorn 1920s China. No coincidence that it looks and sounds at times like a Zhang Yimou film. Its screenwriter wrote Red Sorghum, its cam-eraman shot Raise The Red Lantern. But many scenes bear the increasingly distinctive signature of its Hong Kong director Yim Ho. As in his last movie The Day The Sun Grew Cold; melodrama is defused and emotional focus intensified by a sardonic miniaturism. Even the cooking scenes, a Yim speciality, serve to heat up the erotic symbol-



A grandiose vision from Hollywood: Paul Sorvino, James Woods and Anthony Hopkins in Oliver Stone's 'Nixon'

the world's on its stage

The Berlin film festival, offering its richest programme yet, is set to outdo Cannes and Venice in the global movie calendar, reports Nigel Andrews

Caught between far-flung ends of the earth, Britain's movies seemed somewhat disoriented. Having looked east with a Taiwanese director's version of Regency England, the country looked west with two mid-Atlantic products in Richard III and Restoration

In the Shakespeare movie. updated to the first world war, Sir Ian McKellen lords it over a cast ranging from Nigel Hawthorne as a ringing Clarence and Jim Broadbent as a buxom Buckingham to Hollywood's Robert Downey Jr (Lord Rivers) and Annette Bening (Lady Anne). Unlike the National Theatre staging that inspired it, the film never finds a consistency of tone and style, gadding about between warring venues (Brighton Pavilion, City office blocks) and

irreconcilable accents. Restoration is both worse and better. This time Downey lords it over McKellen. The American plays a young 17th-century doctor to Sir lan's don't-blink cameo as a butler. Since Charles II is played by New Zealand's Sam Neill and our hero's Cornish girlfriend by the non-Cor-

But what a dressing up. As the Rose Tremain based-tale commutes

between rags and riches, so do the sets and costrones. Court life is a riot of gold, velvet and Rubens-style hangings, with courtiers walking about like wedding cakes on legs. And even when the film descends into mud. Quakerism and the plague, director Micheel Hoffman knows a painterly image when his

designer shows him one. emaining competition movies exemplified the grim state of modern European cinema. Half were echoes of former glory from veterans like Bo Elvira Modigon Widerberg, offering yet another tale of sexual awakening in bygone Sweden, or France's Bertrand Blier, whose Mon Homme is his umpteenth comedy trying to put the Dadaism back into sex, assuming it was ever there in the first

Other Euro-films were as byphenated as their provenances. Straddling cultures and styles, they included the Polish-German (Wajda'a disappointing comeback drama

ism while also persuading that nish Meg Ryan, the result is a dog's about the Warsaw Ghetto Holy . (Strange bodily noises predominate (talian (Ricky Toe nazzi's bland high-finance thriller Strangled Lives) and even the Belgian-French-Tunisian in Ferid Boughedir's comedy with allegorical trimmings. A Summer In La

> Courage takes the Golden Biscuit, though, for cultural muddle. Based on the writings of Hungarian refu-gee Georg Tabori, the German film tells the story of Tabori's mother and ber narrow escape from deportation to Auschwitz. With hundreds of other Jews she was trundled to the border in a cattle car, only to find last-minute mercy from a Nazi officer. Piquant tale, But whom do we have as Mrs Tabori? Our own Pauline Collins, whose mouth seems to frame her German dialogue with as much surprise as ber eyes register the twists of the plot. No wonder many festival-goers ran for relief to the sideshows or the Young Film-Makers Forum. Like the Cannes Directors Fortnight, the Forum honours gritty,

singleminded visions. Italy's The

Uncle From Brooklyn is a picture of

Sicilian peasant life at once brutally

funny and serenely minimalist.

performed by the Oper Leipzig;

tragicomedy about love and gangsterdom from Chunakina Express' Wong Kar-Wal. And from the US. Todd Solondz's Welcome To The Michael Verboeven's A Mother's Dollhouse and Todd Verow's Frisk offer bypnotic insights into the American dream - or nightmare as they probe, respectively, the comical horrors of high school life and the real borrors of extreme sexual fantasy. Looked at whole, rather than quality-tested for its competition. this may have been the richest Ber

over dialogue in many parts of th

soundtrack.) Hong Kong's Foller

Angels is another boldly Fauvist

lin film festival in modern memory Having filled the main event with Hollywood's new guard, Berlin invited two great older guardsmen - Jack Lemmon and Elia Kazan to preside over programmes of their work. And it topped those shows off with a full-scale William Wyler retrospective, from which only Wyler himself, for reasons of mortality, was absent. Berlin may not boast the natural environmental comforts of Cannes or Venice, especially in this blizzard-swept year. But it is fast becoming their equal or superior in the movie calendar.

Ballet/Clement Crisp

Far From the **Madding Crowd**

s the curtain came down at the end of Far from the Madding Crowd, a voice near me said "Oh, that's lovely." It was a feeling I shared, though for diametrically opposite reasons from the happy speaker. For three hours David Bintley had taken us on a long trip through a Wessex generously furnished with rustics and such rural crafts as illicit passion, shooting, roistering

and sheep-shearing.

I had privately christened the event Emmerdant Farm, but for Bintley's eager public in the Birmingham Hippodrome this danceview of Hardy's novel contains everything they want, and every-thing he knows so acutely how to give them.

Bintley has produced a three-act ballet for his Birmingham Royal Ballet in which the skeleton of Hardy's drama is embedded in extensive amounts of pastoral quaintness. From hiring-fair to hoe-down (at moments the stage picture suggests Oklahokum), we are offered jollity, high-stepping, canningly made scenes of rural fun, military copulation, and what looks like a do-it-vourself coffin.

The production is efficient, astutely worked-out. There is a

tuneful score by Paul Reade, which has waltzes and rural tunes (and an itinerant fiddler worthy of a Budapest restaurant), and it will doubt-less soon turn up on Classic FM. Hayden Griffin has devised e clever set of half-timbering which adapts to every scene-change. Costuming ranges from Cold Comfort Form modish - lots of beige; hats that look home-made - to bonnets and gingham, and the stage picture is exactly that proposed by the atti-

tudes of score and choreography.

The central characters - Leticia Muller as Bathsbeha; Michael O'Hare as Gabriel; Joseph Cipolla as Boldwood; Wolfgang Stollwitzer as Troy - go through their motions with evident devotion. They do what they do, and I found them and what they do - uninteresting. The cast work very bard at enjoying the olde Mummerset customs The piece is as determinedly rustic and improbable as a Tourist Board advertisement for our rolling comtry-side, and if it were any more ingratiating it would be sitting in our laps. The public will love it, and it will have an entire success. David Bintley is an assured craftsman: he has made something which were better called Near the Madding Box-office.

Recital/John Allison

Olaf Bär's Schubert

Il-Schubert programmes moods it encompasses. Deutsch was Hall last week was more concentrated than usual. It focused on Lieder from the years 1818-24, and the 18 songs we heard ranged from among the composer's bestknown to some neglected numbers. With thoroughness typical of the German baritone and his pianist Helmut Deutsch, this recital had been preceded on Monday with the first of the Wigmore Hall's projected "Insight Concerts", in which the two musicians explored aspects of these songs with a pair of young Lieder singers, Ruth Peel and

David Crown.

Bar bimself proved an impressive interpreter, but still showed lingering signs of the vocal trouble that beset him e few years ago. His greatest strength is the uniquely cultivated way he has with his native language, and he projected

the poems eloquently. But there were times, most noticeably in the long "Einsamkeit" which concluded the first balf, where his honeyed tone almost dried up and the voice sounded tired, lacking support. Even this song, though, was com-pelling, since both Bar and Deutsch conjured up the entire range of

are not uncommon, but an admirable accompanist through-Olaf Bar's at the Wigmore out: unfailingly interesting, but always discreet

The recital had begun strongly, with Bar arresting in the opening lines of "An die Leier", and bringing long, liquid phrases to the tranquil passages that follow. He caressed the refrain of "Sei mir gegrüsst" beautifully. Early in the programme he was still rich of tone in loud dynamics, and caught the fresh excitement of "Lachen mod Weinen". Schubert's only Uhland setting, "Frühlingsglanbe", was light and balmy, and "Auf dem Wasser zu singen" came across with tranquil ease.
Although Friedrich Novalis is the

epitome of a Romantic poet - he died aged 28, and Heine noted that "He loved a young lady, who suffered from consumption and died from the disease" - his metaphysical texts in "Nachthymne" and Hymnen I-IV" did not inspire vintage Schubert. Even the restrained emotions, though, were evoked in Bär's finely sculpted lines. A change to Goethe for the final group of five Lieder raised the spirits, predictably in the buoyant "Der Musensohn", less obviously in "An die Entfernte", a song of hopeless longing.

INTERNATIONAL

■ AMSTERDAM

CONCERT Concertaeboum Tel: 31-20-5730573 Nederlands Philharmonisch Orkest: with conductor Hartmut Haenchen and pianist Rian de Waal perform the 'Wanderer' Fantasy for ano and orchestra by Schubert/ Liszt, Wagenaar's Elverhoi, and Beethoven'e Symphony No.5; 8.15pm; Mar 2, 3 (2.15pm), 4, 5

ANTWERP

CONCERT De Singel Tel: 32-3-2483800 Koninklijk Filharmonisch Orkest van Vlaanderen: with conductor Muhai Tang and viola-player Leo De Neve perform works by Henderickx, Dun and Stravinsky; 8pm; Mar 1

BERLIN

Deutsche Oper Berlin Tel: 49-30-3438401 Die Zauberflöte: by Mozart. Conducted by Stefan Soltesz and performed by the Deutsche Oper Bertin. Soloists include Halgrimson, McCarthy, Peacock, Hagen, Clear and Feldhoff; 7.30pm; Feb 29

BOSTON CONCERT

Boston Symphony Hall Tel: 1-617-266-1492 Die Jahreszeiten: by Haydn, Performed by the Boston Symphony Orchestra with conductor Marek Janowski. Soloists include soprano Ruth Ziesak, tenor Christophe Prégardien and bass Alastair Miles; 8pm: Feb 27

■ CAPE TOWN

JAZZ & BLUES Nico Theatre Complex Tel: 27-21-215470 Irene Reid and Mike Carr: performance by the vocalist and organist. Part of the International Jazz Festival; 1pm; Feb 28

■ COPENHAGEN

DANCE Det Kongelige Teate

Tel: 45-33 14 10 02 Romeo and Juliet: a choreography by Frederick Ashton to music by Prokoflev, performed by the Royal Danish Ballet, 8pm; Feb 27, 28; Mar 1, 2

DRESDEN

Sächsische Staatsoper Dresden Tel: 49-351-49110 Elektra: by R. Strauss. Conducted by Friedemann Layer and performed by the Sächsische

Staatsoper Dresden. Soloists Include Felicity Palmer, Carla Pohl, Helga Thiede and Klaus König; 7.30pm; Feb 28: Mar 3

GENOA **OPERA**

Teetro Cario Felice Tel: 39-10-589329 Turandot: by Puccini. Conducted by György Györivanyi-Rath and performed by the Teatro Carlo Felice. Soloists include Alessandra Marc, Kelth Olsen and Alida Ferrarini; 8.30pm; Feb 27, 29; Mar 1, 3 (3.30pm)

■ GHENT

OPERA De Vlaamse Opera Tel: 32-9-2230681 Tosca: by Puccini. Conducted by Silvio Varviso and performed by De Vlaamse Opera, Soloists include Maria Guleghina, Fabio Armiliato and Knut Skram; 8pm; Feb 28; Mar 2

■ HOUSTON EXHIBITION

The Menii Collection Tel: 1-713-525-9400 Eve Arnold: A Retrospective: exhibition featuring more than 150 black-and-white and colour photographs taken by Amold over e forty-year period; from Mar 1 to Apr

LEIPZIG

MUSICAL Oper Leipzig Tel: 49-341-1261261 West Side Story: by Bernstein.
 Conducted by Selffarth and

7.30pm; Mar 1, 2 (7pm)

■ LISBON CONCERT

Grande Auditório da Fundação Gulbenklan Tel: 351-1-7935131 Orquestra Gulbenkian: with conductor Frans Brüggen and planist Pedro Burmester perform Beethoven's Rondo for Piano and Orchestra and Symphony No.2; 9.30pm; Feb 29; Mar 1 (6.30pm)

■ LONDON CONCERT

St John'e, Smith Square Tel: 44-171-2221061 Gundule Janowitz: accompanied by planist Kelvin Grout. The soprano performs songs by Schubert. Schumann and R. Strauss; 7.30pm; Feb 29

Wigmore Hell Tel: 44-171-9352141 Steven Osborne: the pianist performs works by J.S. Bach, Beethoven, Clapperton and Liszt; 7.30pm; Feb 27 DANCE

Royal Opera House - Covent Garden Tel: 44-171-2129234 Giselle: a choreography by Pepita to music by Adolf Adam, performed by The Royal Ballet. Soloists Include rians Durante and Irek Mukhamedov; 7.30pm; Feb 29

MADRID

OPERA Teatro de la Zarzuela Tel: 34-1-4298225/6 La Cenerentola: by Rossini. Conducted by Antoni Ros Marba and performed by the Teatro de la

Zarzuela. Soloists include Jennifer Larmore, Rockwell Blake and Manuel Lanza; 8pm; Feb 28; Mar 3

■ NEW YORK

CONCERT Avery Fisher Hall Tel: 1-212-875-5030 Symphony No.6: by Mahler. Performed by the New York Philharmonic with conductor Daniele Gatti; 7.30pm; Feb 27

Metropolitan Opera House Tel: 1-212-362-6000 Aida: by Verdi. Conducted by Christian Badea and performed by the Metropolitan Opera, Soloists include Nina Rautio, Dolora Zajick, Michael Sylvester and Juan Pons; 8pm; Feb 28; Mar 2 (1.30pm)

PARIS CONCERT

Salle Gaveau Tel: 33-1 49 53 05 07 Joseph Kalichstein, Jaime Laredo and Sharon Robinson; the planist violinist and cellist perform works by Brahms, Dvorák and Beethoven; 8.30pm; Feb 28 Yury Boukoff: the pianist

performs works by Beethoven: 8.30pm; Feb 27 DANCE L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99

 Le Parc: e choreography by Angelin Preliocal to music by Mozart, performed by the Batlet de l'Opéra National de Paris, the Orchestre de l'Opéra National de Paris with conductor Bertrand de Billy, and planist Jean-Yves Sébillotte. Soloists include Isabell Guérin and Laurent Hilaire (Feb 27,

Mar 1), and Elisabeth Maurin and Manuel Legris (Feb 28, Mar 2); 7.30pm; Feb 27, 28; Mar 1, 2

■ ROME **OPERA**

Teatro dell'Opera di Roma Tet: 39-6-481601 Turandot: by Puccini. Conducted by Yuri Ahronovitch and performed by the Opera di Roma, Soloists include Valentina Sidipova; 8.30pm; Feb 27, 29; Mar 2 (6pm)

■ STOCKHOLM

Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300 Royal Swedish Ballet: perform George Balanchine'a choreography Theme and Variations to music by Tchaikovsky, and Kenneth MacMillan's choreographies Pavane, to music by Fauré, and Song of the Earth, to music by Mahler, 7,30pm; Feb 29; Mar 1, 2 (3pm)

■ VIENNA CONCERT

DANCE

Konzerthaus Tel: 43-1-7121211 Solomon: by Handel. Performed by the Wiener Singakedemie and the Akademie St Michael, conducted by Herbert Böck; 7.30pm; Feb 27

■ WASHINGTON

CONCERT Concert Hall Tel: 1-202-467 4600 National Symphony Orchestra: with conductor Eri Klas and violinist Thomas Zehetmair perform works by Liadov, Prokofiev, Davids and Tchaikovsky; 7pm; Feb 27

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Michael Prowse · America

Hat trick for Alan

Greenspan wins another term at the Fed despite White House fears that tight monetary policies are depressing growth

It is time to breath a sigh of relief. At last. President Bill Clinton has nominated Mr Alan Greenspan for a third term as chairman of the Federal Reserve. After months of vacillation, he also announced surprisingly sensible candidates for other Fed vacancies. He wants Ms Alice Rivlin, his budget director, to succeed Mr Alan Blinder, the Princeton economist, as Fed vicechairman, and Mr Laurence Meyer, an economic forecaster, to fill a second vacant

governorship. Mr Greenspan's renomination was expected. Indeed, Mr Clinton's advisers realised long ago that no candidate more ideologically acceptable to the White House would have any chance of winning the confidence of either Wall Street or the Republican-controlled Senate.

Yet news of his impending renomination still contributed to a 90 point surge in the Dow Jones index last Thursday. This was not at all irrational. Mr Greenspan's judicious monetary decisions and sagacious congressional testimony have come to seem indispensable. At a time when financial markets are jittery and the economic outlook uncertain, a steady hand at the Fed - still the world's most influential central bank - is more important than ever.

Mr Greenspan (whose Senate confirmation is a formality) will nevertheless begin his third term amid growing criticism that restrictive Fed policies are depressing the economy. Figures last week showed that growth slowed to an annual rate of 0.9 per cent in the fourth quarter of last year, growth for 1995 as a whole was 2.1 per cent, the slowest since the 1990/91

Mr Clinton has made no secret of his belief that the Fed has put excessive emphasis on fighting inflation. "We ought to debate whether conventional wisdom on how fast this economy can grow is

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last week Ms Laura Tyson, his top economic aide, declared there was no better place for this debate than on the Fed's policy-making open market

Mr Clinton had hoped to temper Mr Greenspan's influence by nominating an explicitly "pro-growth" candidate for the Fed vice-chairmanship.

He initially signalled that he wanted Mr Felix Rohatyn, the New York investment banker and a passionate advocate of higher government spending. to fill the Blinder vacancy. But Mr Rohatyn was vetoed by conservative Republicans, which was fortunate because be would have been a polarising figure at the Fed. He would have become an instant target for criticism in finan-cial markets which were far from happy with Mr Blinder, a moderate hy com-

The task of advancing Mr Clinton's "growth agenda" thus falls to Ms Rivlin and Mr Meyer, who seem likely to win Senate confirmation fairly easily. Ms Rivlin, an economist whose expertise lies mainly in fiscal policy, has not previously shown any interest in a Fed job. But she could prove a clever choice. She has known Mr Greenspan for years and has enjoyed the respect of both Democrats and Republicans on Capitol Hill since the

the first director of the nonpartisan Congressional Budget Office. She is more experienced politically than Mr Blinder, better at handling the media and less likely to adopt a confrontational stance. If Mr Clinton is still around when Mr Greenspan retires, she just might become the first woman to lead the Fed.

Mr Meyer, an economics professor at Washington University in St Louis, also seems a sensible choice. He runs his own economic consulting firm which has won awards for the accuracy of its forecasts. And he seems to be a non-ideological type with mainstream views: his forecasting model draws on monetarist, Keynesian and supply-side theories.
If confirmed, Ms Rivlin and Mr Meyer are most unlikely to persuade the Fed to adopt

more expansionary policies

than it would otherwise have

favoured. Over nine years Mr Greenspan has acquired great influence within the Fed. Yet even he has to accept the collective decisions of the open market committee. Five of the 12 voting seats are held (on a rotating basis) by the presidents of the Fed's regional banks. some of whom are more hawkish than Mr Greenspan. And three of the seven governors will remain Reagan or Bush



right," he said recently. And Faces for the Fed: Alice Rivlin (left) and Alan Greenspan

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late 1970s, when she served as appointees. The framework for the committee's decisions, moreover, will continue to be set by the economic forecasts produced by the Fed's large professional staff.

But Mr Clinton should not worry, because it is highly improbable that restrictive Fed policies are depressing US economic growth. The White House's unease in part reflects the impact of statistical changes that have reduced measured growth hy about half a percentage point (with out, of course, affecting the real economy). The conventional wisdom today (reflected in the latest report from Mr Clinton's Council of Economic Advisers) is that the economy can enjoy sustained annual growth of no more than 2 to 25 per cent.

Mr Greenspan, if anything, takes a more optimistic view because he is sceptical of official economic statistics, par-ticularly estimates that show little increase in productivity growth since the 1970s despite much restructuring and technological progress. In any case, as he said last week, the Fed does not base policy on theoretical estimates of poten-

tial growth.
It tightened policy aggressively in 1994 not because it thought growth was exceeding aome arhitrary speed limit but because clear signs of eco nomic strain - such as rapidly rising rates of capacity utilisa tion and rising materials prices - had emerged. It began to ease policy last year as soon as the strains began to dissipate. It will cut rates further if unemployment rises and inflation stays subdued. In truth, the Fed is already pursuing the kind of pragmatic policies favoured by most Democrats. Its goal is to achieve the maximum possible growth rate. Mr Greenspan differs with Mr Clinton only in having a clearer understanding of the lesson of the 1970s: that keeping inflation low is a precondition for sustained growth of living stan-

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No bias towards Berlusconi on Italian TV

From Sen. Livio Caputo and Mr Riccardo Pera MP. Sir. In your editorial "Italy at

the polls again" (Fehruary 19). you said that Mr Silvio Berlusconi, besides owning three commercial TV channels, has managed to place his supporters in the most powerful position in the RAI state television service and that "the bias in hroadcasting ranges from the hiatant to the

subtle, but it is undoubtedly

We must stress most forcefully that this is not true. Statistics published on the very day of your editorial show that during the last 12 months the RAI news services dedicated more time to the Democratic party of the left than to Forza Italia and Alleanza Nazionale and that the RAI 3 was just as biased in

towards the right. Besides, the two most important newscasters of RAL Mr Biagi and Mr Santoro, and the most important host of a talk show on Channel 5 (nominally a Berlusconi channel). Mr Maurizio Costanzo, notorinusly belong to the parties of the left and make no effort to hide their

favour of the left as one of the . partiality. And since most private Fininvest channels was national newspapers are also on the side of the centre left. you will find Italy's media situation is very different from your description.

> Livio Caputo, Forza Italia foreign affairs spokesman Riccardo Pera. Italian parliament, Rome, Italy

Monetary union a political decision in Germany

From Mr Jan-Peter Olters.
Sir. I do understand that Emu-critical Bundesbank statements raise the hopes of British Euro-sceptics that maybe - the Euro-spectre will just evaporate, and, in its wake, will allow them to nvercome their political

isolation in Europe. As much as the desire not to be alone is understandable, interpretations such as the ones offered by Lex on February 16 - "For Chancellor Kohl to force through monetary union against the explicit advice of the Bundesbank is virtually unthinkable" - plainly contradict political reality in Germany. This dictates thet decisions regarding exchange rate regimes are made hy the government rather than the Bundesbank. In instances in

which the German political elite has made fundamental decisions regarding exchange rate regimes, the Bundesbank's misgivings have heen completely ignored: in 1978. when Helmut Schmidt's political determination secured the implementation of the EMS

project, and in 1990, when

Helmut Kohl's enthusiasm hy-passed Frankfurt when deciding on the date and details of monetary union between the two Germanys

The only strategy with which the German central bank can avoid being an integral part of a new whole is to shed some doubt on the economic and/or political desirability of the Emn project with the aim of weakening the government's perseverance in essing ahead with Maastricht and the timetable towards the 1999 implementation of the Euro.

There is little if any indication that Bundesbank objections will deter Chancellor Kohl from pursuing what he considers to be the natural complement to German unification: a European Germany firmly anchored within a unified continent, economic details notwithstanding.

Jan-Peter Olters, department of economics, McGill University, 855 Sherbrooke Street West, Montreal, Quebec, Canada H3A 2T7

Europe should not let its backyard be policed by US

From Mr George Chrysophinis. Sir, Edward Mortimer ("Time for a larger role", February 14) seems to forget two reasons which may explain why the US has been more present than Europe in international conflicts, particularly in the European arena. One is that after the second world war the US was one of the two figureheads of the Cold War along with the Soviet Union. Its actions, ranging from nuclear huild-up to armed intervention, stemmed from a strong ideological position During these 50 years the US capacity for intervention was sharpened while in the case of Europe, where the emphasis during the same period was to prove that it could live in

peace, it was not cultivated. The second reason is more directly related to the ex-Yugoslavian conflict. Europe's indecisiveness and division is explained by the fact that the history of several European countries is closely intertwined with that of the Balkan states. Rash reactions by European states at the start of the conflict made it difficult for them later to appear

impartial, something that was easier for the US to do. The lack of any comprehensible European Ideology makes it both difficult for Europe to react to sudden flare-ups and for the involved parties in anticipate such a reaction or take it seriously. Meanwhile, the US follows an explicit policy of protecting its strategic interests, which is easier for conflicting sides to interpret. Backed with its military clout, the message gets through.

Should Europe sit back and allow the US to police its own backyard? Nn, the US can and does make mistakes. Solutions based on strategic interest alone are not ideal and can be overturned when the occasion arises. Let Europe take the initiative and let principles of justice be its guiding ideology. and if the Bosnian conflict is too complex there are other cases in need of attention, starting with Cyprus, a victim of US realpolitik.

George Chrysaphinis. 6 rue de Montbauron. 78000 Versailles,

Doubt about China's understanding of trade principles

From Mr Toshiya Tsugami, Sir, Your article "China's level playing field" (January 30) reminded me again of the direction the Chinese economic regime is taking. Indeed, some Chinese officials have argued that China need only eliminate Its preferential taxes for foreign invested companies in order to adhere to the national treatment principle of the

World Trade Organisation. Disregarding to what extent current WTO rules deal with the issue of national treatment "on person or enterprise". preferential treatment for foreigners never conflicts with the concept of "national treatment" which actually requires "no less favourable

nationals. However, the Chinese view makes us rather pessimistic about whether and to what extent the Chinese people understand the principles of a multilateral trading system.

Put it this way. China's elimination of tax exemption, as discussed in your article. was the first time China had announced a policy change prior to its implementation and this allowed foreign investors to "rush into the brief window of opportunity".

For investors who had spent much time and money to set up joint ventures but had not yet acquired approval, the rumour of the instant elimination of tax exemption had been a serious threat. The

manner of the appouncement suggests China is beginning to understand how transparency and predictability are important for a market

The fact that China is becoming more sensitive about a "level playing field" or eliminating discrimination is also important. China should further understand that eliminating discrimination is necessary not only for Chinese state enterprises hut also for foreign invested companies.

Discrimination against foreign invested companies obviously remains in China. Most serious, for example, is a quota-like export requirement for foreign invested companies only. If China has made up its mind to protect "a level playing field", then I sincerely hope that it will also eliminate such discrimination, even if it takes some time.

Apart from whether such discrimination is inconsistent with the current WTO or other international norms. "non-discrimination" and "mutual benefit" are the key elements underlying the multilateral trading system which China wishes to enter.

Toshiya Tsugami, Trade Policies Review Office, Ministry of Internationa Trade and Industry, 3-1, Kasumigaseki 1, Tokyo,

Samuel Brittan

Dilemmas in pension reform



Whether or not the welfare state is in a crisis, it certainly faces problems. Many of these arise from the problems of accommodat.

ing an ever greater proportion of pensioners in relation to the

working population.
In the UK, social security expenditure accounts for 40 per ceot of total public spending. Of that, 44 per cent goes to expenditure on the elderly. Nevertheless, according to the Organisation for Economic Co-operation and Development's projections, the future UK pensions hill does not threaten to put an overload on national finances. Indeed, at present levels of taxes and charges the British government should be able next century to repay some of the national debt, reduce taxes or increase government spending

or some mixture of all three. You may believe that or not. But contrast the projected trends in other countries. In France and Germany the national deht will have donbled and will exceed national income hy the year 2080. In Japan the deht will have trebled. These assumptions, based on unchanged taxes, are of course artificial: in European countries, for example, taxes or social security contributions will have to be raised to meet the Maastricht criteria for

mooetary union if pension schemes are not reformed. Unfortunately, too much of the discussion of pensions reform is bogged down in the details of particular systems. It is time to state a few basic principles in terms of real

 The allocation of income between spending and saving

ple will want to save heavily for retirement and other contingencies, while others will prefer to spend most of their incomes when they earn them. There is no warrant for imposing the preferences of any group over all the population. • There is a minimum level below which citizens will not want their fellow citizens' standard of living to be reduced however improvident they have been in the past, or how-ever unfortunate they have

employment Whatever actuaries may say, there is no way by which the burden of pensions can be transferred from one period to another. All pensions have to be provided from the present national income. Even funded schemes can only give rights to a share of this year's national income. They cannot transfer resources from this year to another year 40 years away. The economic reality is thet today's workers pay taxes and contributions to pay for today's pensions on the under-standing that the next genera-

been in obtaining pensionable

There is still room for improvement. It is more important to encourage work opportunities for older people than to tinker with

pension reform.

is one for an individual or tion of workers will do the household to make. Some peo-same for them. same for them. Reform can ease the burden of providing pensions if it raises the present national income. It may do so by improving work incentives or

- as I should prefer to say - by removing disincentives. For instance, if it is really true that workers regard contributions to occupational or personal pensions as remaining in some sense part of their income. then such achemes will not have the same disincentive effect as social insurance con-tributions which are regarded as akin to taxes.

 Reform can also help if it improves the future national income. The main way in which it can do so is by improving the national savings ratio. To a liberal this should be a matter of removing any anti-savings bias in the present system rather than imposing forced savings in Soviet or Singapore style.

The problem with these prin-ciples is that they clash with each other. There is an appar-ent clash between the first the voluntary choice of how much to save - and the third. the impossibility of shifting hurdens hetween generations which obliges those working now to pay now. Old fashioned texts would resolve the conflict by saying that the rate of interest brings into balance the desire to save with the requirements for investment for pensions and other purposes. A more genuine conflict is

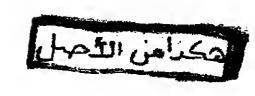
between the first principle of free choice in provision for the future and the second. compassionate one embodying a minimum income or all. Once it is decided that there should be a minimum living standard in retirement, some element of compulsory contribution becomes justified.

The current British system is rightly a compromise. The state pension, together with means-tested top-up payments known as income support, provides the hasic minimum. A second tier is provided by the requirement that people should save nearty 5 per cent of their incomes in earnings-related schemes either in the private sector or in a fall-back state scheme. The third tier is left to voluntary corporate nr per-

sonal schemes The better financial position of UK state pensions owea something to demographic factors. But it is also due to some controversial decisions on it structure. The basic state pension is now increased in line with inflation and not in line with average earnings. In addition the age for qualifying for this pension is to be harmonised upwards so that for women, as well as for men, the pension starts at 65.

But there is still room for improvement. The most worry-ing feature of the British scene, which was mentioned in a recent speech by Mr Peter Lilley, social security secretary, is that only 2 per cent defer collecting their state pensions beyond the statutory offi-cial retirement age - despite substantial increases in the amount paid when pension is deferred. This problem, which may arise partly because of the financial treatment of part-time work and other small-print snags to their working longer, means an increased burden on the rest of the population.

With the increased lifespan and improved health of older people, it is more important to encourage work opportunities for this group than to tinker with pension reform. It is here that the true direction of \$ change should lie.



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Australia's tight finish

A few weeks ago the outcome of the Australian election seemed a foregone conclusion, with Mr Paul Keating's Labor government trailing 10 points adrift in the polls. Now with just six days to go, it is the Liberal-National oppo-sition which appears to be on the defensive. The gap is down to a very few percentage points, and Mr John Howard, the Liberal party leader, is stumbling in the final straight.

Of course, no one should ever have underestimated the pugna-cious Mr Keating, who managed to snatch victory from defeat in 1993. He is a formidable campaigner, and a ferocious parliamentary performer. But his administration has scarcely been scintillating, and the Labor party looks lacklustre after 13 years in govern-

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The trouble is that the opposi-tion has also been short of ideas, or at least unwilling to spell them out in detail.

The Liberal party is in danger of ing it wrong twice, for opposite reasons. In 1993, Mr John Hewson, the former banker and IMF economist who was then party leader, put forward an impressive agenda of economic reform to tackle Australia's underlying structural problems of low savings and inflexible labour markets. He lost because he committed himself too far, in particular by promising new taxes on consumer spending to balance the budget, when the country was in

cies are vague. Instead of presenting himself as a good budget disci-plinarian, he has promised tax cuts and increased spending on health and environmental protec-

A sceptical electorate has been unimpressed. If the opposition does lose after all, it will be because of its lack of an agenda. This should have been the time for a clear vision of the structural reforms needed in the Australian economy, and its chronic tendency to run into import-driven balance of payments crises every time it starts to expand.

Mr Keating, on the other hand, does appear to have a vision, although he is thin on ideas for economic reform. He sees Australia engaging increasingly in the Asian region, loosening its tles with Europe and particularly with Britain. His determination to press ahead with plans for Australia to become a republic and aban-don Australia's allegiance to the British crown, fits into that ambition. It has an obvious appeal to Australia's self-image of sturdy independence.

Six days is still a long time in Anstralian politics, and Mr Howard has a reputation as a tough fighter himself. But he has relied too much on the electorate's desire for a change, and not enough on presenting a clear ecession. alternative. If be fails, that will be This time round, Mr Howard the cause.

Stock exchange

The London Stock Exchange says it is looking for a chief executive. It should be in search of a role for itself as well. If it ducks the questions of why the last two chief executives left prematurely, and of its long-term future, the new appointee will find necessary reforms are once again frustrated. Since Mr Michael Lawrence left

the post last month he has elaborated on the problems he faced at one of the UK's most traditionally minded institutions. In written evidence to the House of Commons Treasury select committee, he implies that the Exchange t sed off from its intention to introduce order-driven trading, one of the most contentious and far-reaching changes now under

Order-driven trading would match buyers' and sellers' orders automatically. At present, marketmakers post constant two-way prices in all shares, making money from the bid-offer spread. The change would cut investors' dealing costs, at market-makers' expense. But critics fear that liquidity in some shares would

Pressure for reform has come both from new technology, which makes matching of orders possible, and from growing competition with overseas exchanges. Yat a range of insurance companies, pension fund managers, marketmaking banks and private client stockbrokers, have told the change. Under this pressure, the exchange has appeared increas-ingly uncertain of its position.

It has not made clear whether it thinks order-driven trading could co-exist with the present system. It has not thoroughly aired in pub-ilc the question of who should pay for such reforms: the traditional nber firms, which may suffer from the changes, or the wider community of market participants which could benefit Above all the exchange still appears ambivalent about whether it is as a trade association representing member firms, or a hody serving that broader group of market users.

That central question of the

exchange's long-term role has confronted its board for longer than Mr Lawrence or his predecessor Mr Peter Rawlins were employed. It will not go away. The board, and those who oppose reforms, cannot ignore the shift of power within the industry - away from stockbrokers and traders towards institutional investors - which will exert increasing pressure on

broking margins. Responses to the exchange's current consultation exercise will provide a useful indication of the industry's feeling; but it will also confront the exchange more starkly with the central question which long-term interests is it supporting? Until that issue is settled, any new chief executive will face the same almost impossible job of reconciling conflicting inter-

exchange that they oppose

UK ministers not only deserve to be defeated in tonight's parliamentary vote on the Scott report, they are positively inviting it. Their sponse to the report over the past ten days has been a contemptible mixture of distortion and bluster. This only reinforces Sir Richard Scott's strictures about a govarning mentality which places survival above truth, convenience above responsibility.

The case for the government to be defeated is simple. The Scott report finds ministers guilty, over a prolonged period, of serious violations of their democratic duties. Yet the government pretends that it has been vindicated on all fronts, just because it was not censured for the still more serious charge of conspiring to prevent three businessmen from defending themselves properly against a triminal prosecution brought hy

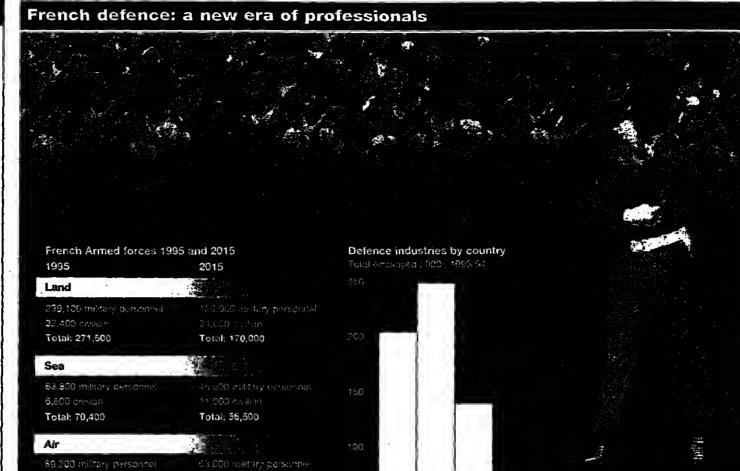
Mr Michael Heseltine, the depby prime minister, has gone so far as to claim that there would have been no need for the Scott inquiry had its conclusions been known in advance. He says this of a report which finds that a minister still in office knowingly misled MPs over a lengthy period about policy on arms sales to Iraq; which finds that this was done because of fear of "strong public opposition" were the truth known; and which finds that the government's chief law officer - also still in office - was "personally at fault" for failing to address

"important constitutional and legal issues" raised by the use of public interest immunity certifi-cates in the Matrix Churchill trial.

There is no likelihood of the government falling as a result of the vote on the Scott report, even if it loses tonight. The resignation of Mr Peter Thurnham - the third Tory MP to leave the party in recent months - further weakens Mr John Major's grip on office revealing growing disillusion among those on the party's moder-ate wing. But the defection does not threaten an immediate election. The debate today should therefore focus on the Scott report

The govarnment's stated willingness to reconsider the regime for licensing arms exports is welcome but inadequate. If ministerial accountability to parliament applied as it should, the two ministers heavily criticised by Scott would have resigned and the gov-ernment would today be present-ing proposals to MPs for dismantiing the endemic and unnecessary secrecy surrounding policy on the

sale of defence equipment abroad. A government defeat might still produce at least the second of these ontcomes - greater open-ness and public debate. It would also show that MPs within the governing majority place the standing of parliament, and their duty as MPs to ensure ministerial accountability for executive actions, above narrow party



A 21st century army

Chirac's plans for reforming the French military will not be universally welcomed, says **David Buchan**

hen President Jacques Chirac announced last week that he intended to reform France's military forces and arms industry, he was strikingly frank about what he thought was wrong with them.

Total: 94,100

Grand totals

Total: 577,360

The Gaullist president compared France's partly conscripted army unfavourably to the UK's smaller, all-professional force. With the 1991 Gulf war, and perhaps Bosnia, still in mind, Mr Chirac complained that France was unable to "project" abroad a fighting force of more than 10,000 men "in a rapid and organised manner". And the country's defence industry, for all its technical competence, was "much too fragmented... to entertain a real international ambition" in a competitive world arms market.

But he also set out some ambitious targets for the future. By the time conscription was phased out in 2001, France's fully-professional forces - even though a third slimmer - would be on a par "with the best in the world, notably the British army". In a pep talk to his 500 top officers, he went further: "France must be capable of being at the head of a [international] coali-tion with the command structure to control it". As for French arms exports, "we should be first, or at all events second if we cannot match the Americans".

France's commander-in-chief is clearly not sounding a retreat. Indeed, in the context of France's recent rapprochement with Nato. Mr Chirac's defence pronouncements last week can be read as a sign France wants to play not just a leading, but the leading, role in the Atlantic alliance's European pillar. First, however, must come the dif-

Total: 70,000

Total: 434,000

ficult "downsizing" and regrouping. The force cuts - from a total of 500,000 to 350,000 early in the next century - will he the higgest since the end of the Algerian war, when French forces shrank from 1.16m to 667,000 between 1962 and 1964. They will involve combat regiments being cut from 129 to 85, and the reforming of much of the army into four elite units (heavy armour, light armour, mechanised, and assault infantry) of 15,000 men each.

With more appropriate amphibious and air support, these units would enable France, Mr Chirac told his officer corps, to dispatch up to 30,000 men (the same number Britain sent to the Gulf) to some distant theatre while simultaneously sending 3,000 to 5,000 troops elsewhere (probably to Africa, where France has several bilateral defence pacts that Mr Chirac intends to maintain).

Naturally, Mr Chirac stressed that France retained its military commitment to Germany and to their shared Eurocorps. The future mix of German conscripts with French professionals may give Eurocorps adjutants a headache. while the end of conscription in France might prove contagious in Germany. But the real problem for Germany may be that France will want to make active foreign use of the Eurocorps - particularly in the context of a reduced French army faster than Germans are politically or psychologically prepared for.

Mr Chirac is aiming at cheaper as
well as better defence. Tomorrow's 170,000 professional soldiers would cost the same in pay as today's partconscript 270,000-strong army, but would require fewer weapons and

therefore be less expensive overall. Any downward pressure on the defence budget will obviously help France in 1997, when it comes to try to qualify for European monetary union. But the government will have to cater, in other parts of its budget, for two other defence-related costs.

First, the government has promised to recapitalise state-owned defence companies, which collectively have asked for more than FFr20bn in fresh funds.

Second, the government has pledged to soften the blow to individuals and communities of base closures and defence industry restructuring. Indeed Mr Chirac has rejected as "absurd" fears of mass redundancies, though government ministers forecast the defence industry will continue to lose some 10,000 jobs a year, a recent parliamentary report estimated that to try to create alternative jobs for all those streaming out of the defence sector would cost FFr30bn.

Apart from the Paris region, and from Provence and the Riviera which attracted the post-1945 nuclear and space industries, many traditional French defence companies are, for obvious historical reasons, located in the west and south-west in order to be as far from Germany as possible. Yet it is precisely proximity to the German

market that many investors in France seek these days. Can Mr Chirac carry all this off? Or is he in danger of trying to tackle too much at the same time as his prime minister, Mr Alain Juppé. has done on welfare reform?
Initial reaction to the defence

reforms seems favourable. But Mr Chirac is taking several chances. One is his pledge personally to ensure that no region or town suffers from base closures or job losses. Normally, in the French system, it is prime ministers that take the direct heat for unpopular presidential decisions; that is why they change so often. Now Mr Chirac has effectively invited mayors of towns soch as Tarbes in the Pyrenees, which is home to 1,800 Giat workers and 2,000 paratroopers, to

level their anxieties about jobs

straight at him. Mr Chirac may also meet a disappointing reaction abroad. Nato and the European Union, in its intergovernmental conference that opens next month, may fail to add any cement to the European defence pillar Mr Chirac wants to build. He has invited European defence companies to forge new alliances with their French counterparts, but they may not want to do so on his terms. Even if they do, certain governments - notably the UK - may never commit themselves to "buy European" to the extent that Mr. Chirac wants.

It is therefore possible that Mr Chirac will not be able to persuade other Europeans to follow the lead he clearly plans to give them, in the field and in the factory.

Defence groups seek allies

rench defence companies have waited years for the government, their main client and in many cases their owner, to take long-overdue restructuring decisions. Their vigil

Industrialists and investors, who sent defence stocks bouncing up and down on the Paris Bourse last week, are digesting the government's plans to merge aircraft com-panies Aérospatiala and Dassault, to privatise the Thomson electronics group and to squeeze the

long-term defence budget.

The latter is not good news for the equipment makers. They will have to share out FFr85bn a year over the 1997-2002 period, when only a couple of years ago they boped they could count on the annual average of FFr104bn written into the current 1995-2000 defence programme - although the government never respected this, and stealthily pruned hardwara spending to around FFr90bn last year.

The country still has the seven major weapons assemblers and contractors - Aérospatiale, Dassault, Thomson-CSF, Matra (missiles), Giat (tanks), Snecma (aero-engines) DCN (ships) - thet it had nearly 20 years ago. Some rationalisation is now inevitable. Hitherto only Matra, part of the privately-owned Lagardère group, has felt free to speak out on this; last year it said it wanted to buy Aerospatiale's satellite operations. Now regrouping is

official government policy.

But Mr Chirac's call for "a very big defence electronics pole created around a privatised Thomson raises the danger of the French tra-dition of Colbertist industrial interventionism going too far, and creating some unwieldy behemoth

And while the Thomson group requires recapitalisation for its sale, other state-owned companies need fresh funds even without privatisation. The needs of Aérospatiale, which has asked for FFr10bn in new money, may be met by marriage to Dassault, which is said to have a cash pile of about that amount. But since most of this is Taiwan's advance payments on the Mirages it is buying from Dassault, it may not be a real dowry. Giat, meanwhile, has reported a

FFr11bn hole in its 1995 accounts and this must, by law, be partially filled by the end of 1996. The sorry case of Giat has other unfortunate ramifications. This collection of army arsenals was formed into a company in 1990, but not allowed to close any sites or lose any jobs. The defence ministry repeated last week that no forced lay-offs would take place, even though Giat's management says half its 12,500 workforce is effectively redundant.
Job promises made to Giat can

hardly be denied to DCN, all the more so because the nine DCN yards and factories are still government arsenals and DCN's 25,000 employees are still civil servants.

Mr Chirac and his government are urging French defence companies to forge new European alliances. Many have already done so. Thomson-CSF and Matra have significant UK partners, and Aérospatiale has its axtensive ties to Daimler-Benz Aerospace. Others have hopes. Giat has Royal Ordnance in the UK and Krauss-Maffei in Germany in its sights, and DCN wants to develop links with UK and Italian vards with which it is building frigates. But they all the government to give them a freer hand.

Inviting defeat BSERVER

Slippery slope

Sounds of bead-banging at The World Economic Forum, the organisation behind the annual schmoozerama at the Swiss ski resort of Davos. Maria Livanos Cattaui, who has managed the WEF secretariat with the finesse of a sergeant-major for the past 15

years, is packing ber bags. Cattaui's long survival has been a mystery to many, as her own schmoozing skills have rarely been in evidence. On the contrary, her tyrannical ways have more than occasionally irritated cornorate members.

Late last year, Klaus Schwab, the WEF's founder and boss, told her that Claude Smadja, a former adviser and director, would be returning to the WEF as joint managing director. Smadja, head of information at French language. Swiss television in Geneva, would take over the running of Davos and the growing number of "regional" summits", while she would be responsible for improving internal ongoing processes".

Cattaui's new assignment med a curious one as her relations with the computer were also less than cordial. She was still organising the immensely complex Davos jamboree with the aid of huge wall charts and several drawers of card files. With the 1996 Davos behind her,

she decided to walk - prompting Schwab to give up his university teaching, and devote himself full-time to the WEF. He says Cattaui will not be replaced but Davos insiders observe that both Schweb and Smadja are absent-minded intellectual types. One wonders how they will keep the show on the road without at least some sergeant-majoring

Female touch

■ Unilever seems to be perfecting tha art of putting its chin in the way of arch-rival Procter & Gamble's fist. The effects of the European "soap wars" that resulted in the Anglo-Dutch company pulling its flawed Persil and Omo Power products were still washing around when the scene moved to Capada.

Unilever has now asked an Ontario court to ban a TV ad for P&G's Oil of Olay moisturising soan. It took exception to a statement that "compared to the leading beauty bar. Oil of Olay holds more moisture to your skin". Unilever claimed this was a not so subtle reference to Dove. its best-selling soap.

Madame Justice Tamarin Dunnet not only dismissed Unilever's complaint, but rubbed soap in the wound hy giving her own assessment. Based on evidence from three experts, the judge concluded that P&G's ad "conveys

the general impression that Olav Bar is superior as regards moisture retention, which is true."

Only connect

■ Dead bodies on the front page of Thailand's most influential, but luridly illustrated, daily newspaper are nothing unusual. But last week it was the body of the paper's founder, Kamphol Vacharaphol. who died at the age of 76, that Thai Rath was featuring. Standing over him, performing a Buddhist bathing ceremony, was Crown Prince Maha Vajiralongkorn, the black sheep of the royal family and heir to the country's throne.

The pair were friends, and royal protection often gave Thai Rath which has a waiting list for advertising space - the confidence to print stories other papers would not touch. The paper's exposure of a land reform scandal in late 1994. nearly unseated the democratically inclined government of former prime minister Chuan Leekpai. It remains to be seen whether Kamphol's eldest children, a son running editorial and a daughter in charge of the business side, have their father's flair - or his connections.

Funny money

■ The Germans may be jolly good at making things, but, as many a visitor can testify, they have a lot

to learn when it comes to service. Still, help could now be at hand for all who have searched vainly for the smiling taxi-driver or hotel porter. Chancellor Helmut Kohl himself has warned his fellow citizens that they must be more cheerful if they want to make a

success of tourism. At a meeting in the chancellery last week, industry bigwigs wrung their hands over the need for innovation, more business start-ups and risk capital to ginger up a lacklustre tourist sector. Only Kohl dared to state the obvious: "We mustn't just be diligent. We must be friendly as well."

The chancellor is well-placed to compare conditions at home and abroad. During the past three months his peregrinations have encompassed China, Vietnam, Spain, Russia, and this week. Bangkok. It's also easy to smile when you're about to step on a plane bound for somewhere . exotic.

Alter-wise

Father Kieran Blake knew something was wrong when he entered his church in the small village of Tir an Fhia in Connemara in the west of Ireland. "I knew something was missing", Father Blake told the Irish Times. "I was so shocked that it took me 10 minutes to figure out what it was." Thieves had made off with

Financial Times

100 years ago Obstinacy of manufacturers

An instance of the obstinacy sometimes displayed by British manufacturers in refusing to adapt themselves to foreign markets is given in a Consular report just issued on the trade of Turkey. A leading importer of ster goods writes from Salonica to say that an English firm positively declined to make handkerchiefs of the size required in Macedonia. In vain the importer offered to give a sample order for 30,000 dozens; the good old British manufact urers refused to produce anything but the sizes which they were accustomed to turn out, paying no heed to the special requirements of the Macedonian nose. A large order was thus lost and went to Switzerland.

50 years ago South Africa's Budget South Africa's first post-war Budget, which may well prove the most momentous for the Rand gold-mining industry for a decade, will be disclosed by Mr. Hofmeyr, Union Finance Minister, on Thursday. It has been widely hoped that some of the industry's heavy tax burden - taxation takes some 68 per cent of taxable income - will be removed. Certain Mining shares have rallied from recent low levels, but this is believed to be due more to guesswork than information.

Fleeting 'triumph' by Forbes is enough to weaken Dole in Arizona

By Patti Waldmeir in Phoenix, Arizona

Mr Bob Dole, Senate majority leader, heads into the US Republican party's presidential primary election in Arizona tomorrow looking increasingly weakened. He lost to Mr Steve Forbes, the millionaire publisher, in the

Delaware primary on Saturday. Mr Forbes's victory in Deleware may give his campaign in Arizona a late lift. Opinion polls there show him neck and neck with Mr Patrick Buchanan and Mr Dole et roughly 21 per cent each. Any sucb boost from Delaware is unlikely to stay with Mr Forbes beyond Arizona in the big southern primaries to follow.

But e strong Forbes showing in Arizona could further damage Mr Dole's campaign. With Mr Buchanan cementing rightwing support behind his surging campaign in this conservative state and Mr Forbes stealing centrist Republican votes from the senator, Mr Dole could slip to an embarrassing third place in Arizona.

Even victory in North and South Dakota, which will also vote tomorrow, could not give Mr Dole the momentum he needs.

Palestinian

Continued from Page 1



Face in the crowd: Republican presidential bopeful Steve Forbes (in glasses) greets supporters in Tucson ahead of the Arizona primary

heading into a cluster of primaries over the next 10 days. The most important of these will be the contests in South Carolina on March 2 and Georgia on March 5. These will provide a glimpse of voter sentiment in the south They will also test the via-bility of Mr Buchanan's campaign for the long haul and the

the former Tennessee governor, to exploit his southern roots. Delaware's poll was scarcely a true test of electoral strength: Mr Forbes was the only mainstream candidate to campaign. The state's Republican voters rewarded him for his attention, and penalised candidates such as Mr Dole who boycotted Delaware

Hampshire by bolding its poll immediately after the showcase first primary in the New England

Most Delaware Republicans abstained, with only 24 per cent of 139,000 registered party members voting. Mr Forbes won 33 per cent of their support. Mr Dole, who had the support of the state party hierarchy, came second with 27 per cent. Mr Buchanan came third with 19 per cent and Mr Alexander finished a distant fourth with 13

A delighted Mr Forbes called the Delaware victory, his first since the nomination battle began, "a great triumph". But Mr Buchanan, campaigning strongly in conservative Arizona, brushed off this claim, commenting that Steve Forbes finally bought bimself a victory in an

uncontested primary The winner-takes-all poll gave Mr Forbes all 12 of the state's delegates to the Republican party nominating convention. Overall Mr Buchanan bas 27 delegates so far, Mr Forbes 17, Mr Dole 16 and Mr Alexander nine.

desire of Mr Lamar Alexander. Alarm over protection, Page 5 **UN accuses Bosnian leaders**

security." Other Likud members were not so reluctant to exploit the attacks.

bombs kill 25

"Such tragedies remind Israelis that we are far from the fulfil-ment of the ringing promises of the Peres administration," said Mr Yossi Olmert, a Likud parliamentary candidate. 'It is obvious that when you have a peace process you would not expect to see more violence and bloodsbed."

Peace and security will be the dominant issues of the election campaign. Although Mr Peres bas been riding a wave of public sympathy since the assassination of prime minister Yltzhak Rabin last November, many Israelis remain deeply sceptical about his ability to take a tough line on

Turkish talks

Continued from Page 1

of the economy.

Refah, which wants to trans form Turkey's 73-year secular state into an Islamic repoblic, also insisted on controlling the religious affairs directorate, the government body which controls and finances mosques.

The directorate is intended to enforce the mosque-state separation that is the cornerstone of secular state.

Mr Yilmaz argued that be could not allow the directorate to fall into "the hands of those with a different understanding

of pressing Serbs to quit

United Nations relief officials yesterdey accused the Moslem-Croat federation and Bosnlan Serb leaders of exerting pressure on Serbs to abandon their bomes in parts of Sarajevo which are set to come under Bosnian government control under the Dayton

Mr Kris Janowski, spokesman for the UN High Commissioner for Refugees, accused the Bosnian Serb leadership of manipulating the fears of Serbs about their fate at the hands of the Moslem led Bosnian government. He also criticised the Moslem-Croat federation for establishing illegal checkpoints and conducting police searches of the homes of Serbs remaining in the five Sarajevo districts, which will be handed over by March 20 to the

Bosnian government. The Serb flight from Sarajevo seen as a blow to the Dayton ued yesterday, even though the observers reported crimes

peace process at the weekend received a boost when the Bosnian Serb military renewed contacts with the Nato-led Implementation Force.

It was the first meeting since February 8, when two senior Serb army officers were arrested by the Bosnian government as suspected war criminals and extradited to the international tribunal in The Hague. The tribunal is due tomorrow

to start a three-day public hearing of testimony from survivors of cluster bomb attacks on Zagreb last May which killed seven people. The testimony will be beard in proceedings against Mr Milan Martic, a rebel Serb

Mr Martic stated at the time that be had ordered the Orkan rocket attacks in retaliation for a Croatian army offensive against western Slavonla, part of the

rebel Serb state of Krajina. There bave been no indict-

against Serb civilians in Krajina, wbere a rebel Serb state was crushed last August.

The Bosnian Serb leader Radovan Karadzle and bis military commander, General Ratko Madic, are named on a list of 52 suspects - 45 Serbs and seven Croats. All but one of the Serb suspects, including Mr Martic, are at large in Banja Luka, the Serb stronghold in Bosnia.

The tribunal has no police force and must rely on the co-operation of the leaders of former Yugoslavia and the international community. It was created by the UN Security Council in 1993, the first such tribunal since the war crimes trials in Nuremberg and Tokyo.

But those trials were conducted by the winners of the Second World War in sharp contrast to the current tribunal. The fragile peace accord in the Balkans also hinges on the compliance of the former warring partles, some times over two weeks but they sgreement which aimed to ments against the Croatian army, of whom worry that they, too, failed to agree over control rebuild a unified Bosnia - contineven though international could one day find themselves on

Pentagon to identify arms deals for UK

Continued from Page 1

guide "smart" bombs on to their targets. This could be won by the GEC-Marconi TIALD pod, which was successfully used in Bosnia. A \$2bn order for 155mm battle-field guns could go to either Royal Ordnance, part of British Aerospace, or VSEL, owned by combining its requirement for a sborter-range, highly eccurate cruise missile with a similar British need, though this is thought to have met with less favour in London.

The programme being promoted most actively by Mr Portillo is the sbort-range air-to-air missile Asraam, made by BAe.

sbort-range missile to replace its venerable Sidewinder, but is reluctant to consider a foreign competitor for 20.000 missiles worth more than \$10bn which are so important to its air

"This is a programme which is very close to bome, because pilots' lives depend on it," said

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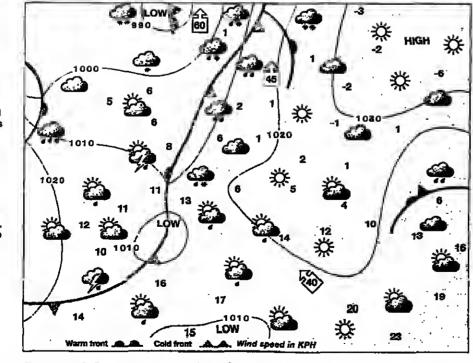
GEC. The US is also considering The US badly needs a one US executive.

Europe today

A frontal zone associated with 6 depression over the northern Norwegian Sea will linger across Denmark, the Benelux and northeastern Spain. This will result in cloudy conditions with snow over Finland and eastern Sweden. Rain will affect Denmark, the Benelux and central France. Numerous showers will occur over southern France and north-eastern Spain, Much of the British Isles will be dry with sunny spells but Scotland and western Ireland will have showers. The southern Iberian peninsuls and Italy will be dry with scattered cloud. The Balkans and central Europe will be dry with ample sun.

Five-day forecast

High pressure over Russia will extend towards western Europe and the British Isles, forcing Atlantic depressions to move north to Scandinavia or to be diverted south into the Mediterranean. As a consequence, conditions will become settled over the continent, while Scandinavia and the Mediterranean will experience abundant precipitation.



TODAY'S TEMPERATURES

Lufthansa

Caracas Cardifi Casablan Chicago Cologne Dakar Dallas Dallas Dubrai Dubrai Dubroyni Edinburgi

No other airline flies to more cities in Eastern Europe.

Faro
Frankfurt
Geneva
Gibraiter
Gilasgow
Hamburg
Helsinki
Hong Kong
Honolulu
Istanbul
Jakarta
Jarsey
Karachi
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THE LEX COLUMN

Europe's bitter medicine

Will continental Europe's increased medicine eventually provoke a backlash? From a purist perspective, the more commercial approach shown by European companies, such as Daimler-Benz, Philips and Alcatel-Alsthom, is welcome. So is the fact that some governments are gradually weaning their companies off state hand-outs and running tighter macroeconomic policies in an attempt to meet the Maastricht criteria for monetary union. Harsh measures are needed if European industry is to thrive in an increasingly competitive global market.

The snag is that, in the short term, such medicine leads to unemployment. So far this year, attention to the bottom line has led Daimler to pull the plug on Fokker and Philips to force large job cuts at Grundig. Equally, the drying up of state aid was a factor behind Bremer Vulkan's bankruptcy last week. Meanwhile, tight macroeco nomic policies bave restrained economic growth and prevented some countries from bailing out their industries by devaluing their currencies. The result is that Germany's unemployment rate is 10 per cent and

France's nearer 12 per cent. So far, the backlash has been limited. Only in France, where last year's wave of unrest forced the government to dilute its pro-market policies, has it yet had much practical impact.

However, the drive to restructure European industry is accelerating. In the private sector, nostrums such as sbarebolder value are increasingly taking hold. Moreover, as state-owner groups are privatised, they will face market disciplines. Even France has not abandoned the restructuring process; last week's decision to privatise Thomson SA and merge state-owned Aerospatiale with private-sector Dassault is a precursor to rationalising the defence industry.

Given such a trend, the possibility

of a serious backlash cannot be dismissed. The main worry must be that politicians will respond to social disquiet by loosening macroeconomic polcy or using other sbort-term palliatives. The transformation of European industry may yet be accomplished without major difficulties, but inves-tors should not count on it.

London Stock Exchange The continuing row over whether the Stock Exchange should modernise its trading system highlights a more fundamental point: the exchange

Unemployment rates % of total labour force (national definitions)

needs to modernise its corporate structure and turn itself into a proper company. Being a club owned by marketmakers and stockbrokers is the underlying source of its current prob-lems. This creates a massive conflict of interest; instead of being able to focus on providing the best services to all its users, including investors and companies, the exchange is constantly forced to run itself in the interests of marketmakers and brokers. Hence, the sacking earlier this year of Mr Michael Lawrence, the chief executive, amid a dispute over whether to modernise the trading system; while his plan would have cut dealing costs, it would also have reduced big marketmakers' prof-

The way to eliminate this conflict of interest would be for the marketmakers and brokers to sell their shares in the exchange to the public - in the process floating it on its own stock market. Such a step should have the added advantage of turning the exchange from a slow-moving bureancracy into a sleek commercial animal. Since the exchange would be run for profit, it would have every incentive to cut waste, speed up decisions and devise innovative new services.

Competition aothorities would, of course, have to watch out that a commercialised exchange did not exploit its dominance to snuff out rivals and overcharge its customers. But, then again, there is nothing new about the exchange behaving in a monopolistic

UK bançassurance

Having snapped up Gartmore last week, NatWest now wants to get its teeth into a life assurance company. The strategy of developing its long-term savings business - one that

many other banks share - is a sensi ble one. Baby boomers are realisme that they can no longer depend on the state to provide for them in old age The result is a trend towards long-term savings rather than

short term deposits. This makes life assurance an attrac tive business for banks, which are rightly concerned about the stagna tion of their traditional markets. At present they are awash with capital and keen to do something with it to avoid dilution of their strong returns on capital. Furthermore, their efforts to develop in bouse life assurance have been slow-going. Acquisitions. would bring new client bases, as well as the chance to sbunt new products

through their branch networks.

All this means that banks are will ing to overlook the fact that life assurers are currently feeling the pinch Many mutuals bave been losing money, as demand for life policies, a product area which requires an expensive infrastructure, has slipped. Conf. dence in some brand names has been undermined by mis-selling of personal-

Meanwhile, the sight of so many building societies being taken over or dashing for flotation has altered the presumptions of mutual life assurers The result is that almost every ! mutual from Norwich Union down, is considering flotation, sale or closing its books. Abbey National's purchase of Scottisb Mutual bas shown that addressing concerns about financial strength can get policies back on to independent financial advisers' lists. Banks will have little problem finding willing vendors.

Of course, in the drive to create bancassurance combinations, life groups could also move into banking. Prudential, for example, is building a presence in telephone banking, which may enable it to keep more of the money from maturing policies in-house. But sucb a strategy is only realistic for biggest life groups.

Among the banks, Lloyds TSB (with Lloyds Abbey Life) and Abbey National (with Scottish Mutual) are already ahead of the game. For the likes of NatWest, the key is to find strong brand names and avoid over-paying. This is likely to be easier to achieve by buying mutuals rather than public companies, since mutuals' brands generally attract lower valuations. Given the plethora of choice, buying sensibly should not be too diffi-cult. Banks will then, once more, be in charge of growth businesses.

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